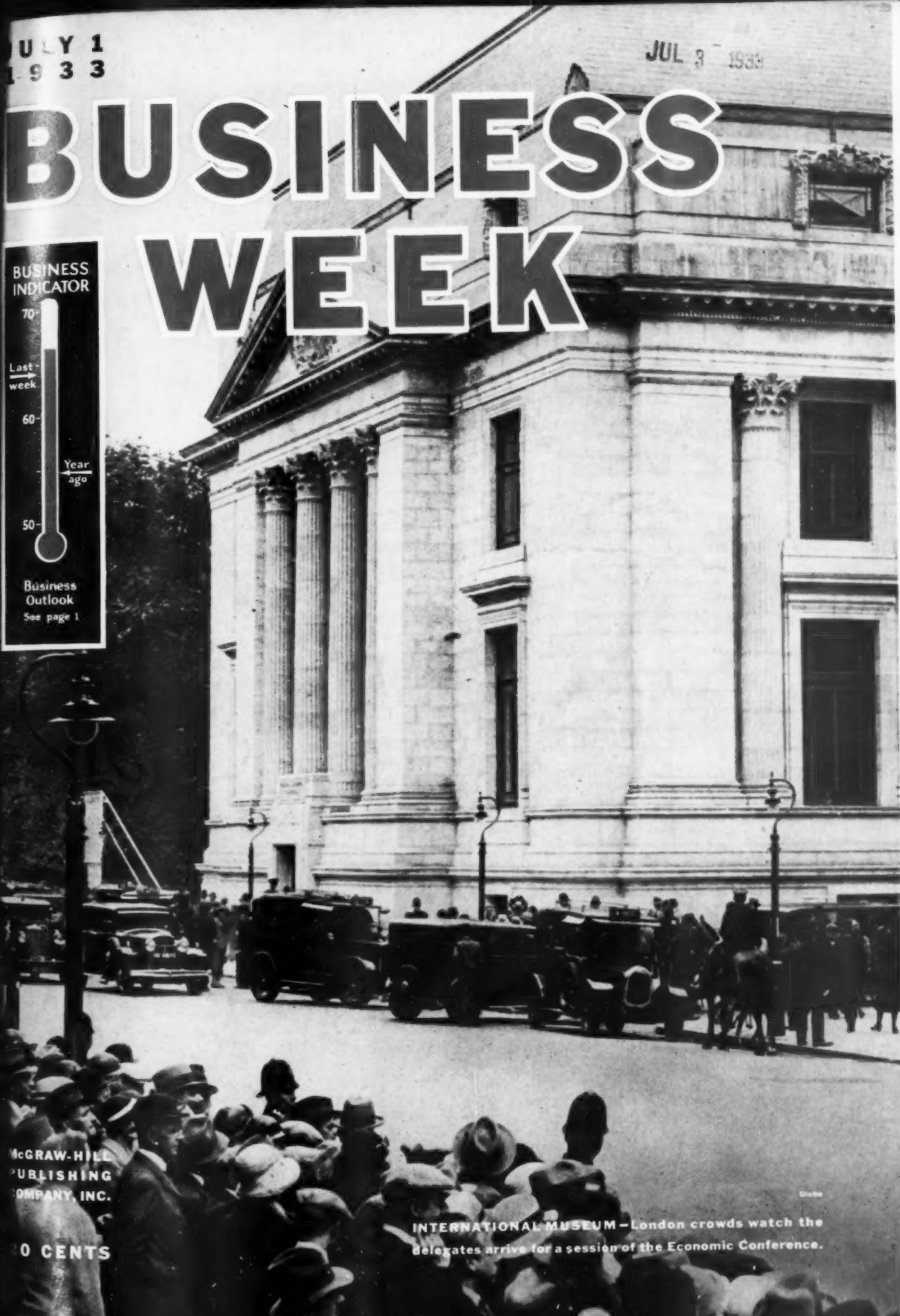
JULY 1
1933

BUSINESS WEEK



BUSINESS INDICATOR
70
Last week
60
Year ago
50
Business Outlook
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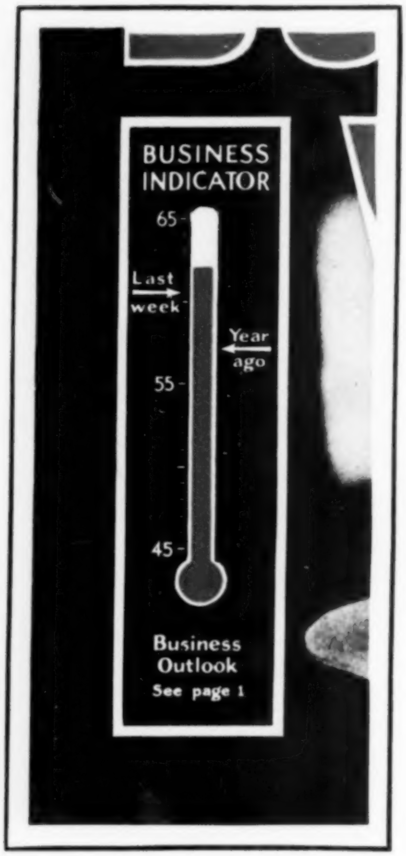
20 CENTS

Globe

INTERNATIONAL MUSEUM—London crowds watch the delegates arrive for a session of the Economic Conference.



$10 billions an inch!

Every business man in America knows by heart the performance of Business Week's business index during the past ninety days. Hundreds of thousands eat it up every week, week after week. It was the first light to point the lifting of the fogs of deflation and depression. Its crescendo has been sung in advertisements, editorials and private correspondence, in board room and locker room chatter, on the radio. It has made depression-weary business men go down the road singing to themselves—because they know it is to be believed.

Maybe the current level is nothing to shout about, for all its improvement over the "low." It's still a long way from the heights of '28 and '29. But the *rate of improvement* excites any sales or advertising man not utterly insensible to opportunity.

Every time the indicator rises an inch on the present scale, business activity "recovers" at the rate of $10 billions a year. And the indicator has gone up an inch and a half in the last ninety days!

Before anyone else gets a cut from the increase, it must pass through the hands of America's business executives. It cannot be spent or invested—in equipment, salaries, wages, advertising—any of the tools of business—without their say so.

Whether or not you can visualize $15 billions (we can't), think of it in terms of increased purchasing power for the things you sell, that business and business men buy. And remember, their favorite and most useful publication is

BUSINESS WEEK

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This Business Week:

CONCERNS that have rushed through organization of company unions since the passage of the Recovery Act remind her, says Miss Perkins, of the young men who married to escape the draft.

MANEUVERS of the American delegation at the Economic Conference, the catapulting of Moley into the mêlée, and the appearance of Bernard M. Baruch behind a State Department desk should have created a lot of excitement. But somehow it didn't. It is plain enough that the American public suddenly lost much of its interest in the London powwow. Its attention is focussed on the strides being taken toward recovery at home—on the National Recovery Administration rather than on London. Perhaps that marks the death of a philosophy. We used to be told it was all the fault of the foreigners, and that recovery must be imported.

THE Federal government has set up a guessing game with stakes that make it the most colossal lottery in history.

The law puts a tax of 0.1% annually on the valuation of every corporation and it taxes profits in excess of 12½% of that valuation at the rate of 5%. Corporations are to declare their own valuation.

Imagine their dilemma! If they fix the valuation low, they save on the annual 0.1% tax, but business recovery may easily run their profits well over 12½% on the low valuation. If they fix valuation high, the 0.1% tax mounts up.

If business is going to be bad, the low valuation is the right bet. If business is going to be good, low valuation will be murderous.

It is as cruel as the Italian law on exports of art and antiques. The collector could also declare his own valuation. He paid a stiff export tax on that valuation—so he wanted to keep it low. But the government reserved the right to buy anything at the declared value for its own museums—and often did!

ADVERTISING men, a little alarmed at first, have come to the conclusion that the Recovery Act will give a big impetus to advertising in all its forms. Too many manufacturers have sold wholly by under-cutting prices. Any kind of trade practice code which stops that sort of thing takes the emphasis off price and puts it on competitive quality, service, design—the things that have to be advertised.

Business recovery of such proportions that it pushed corporations toward excess profits taxes would be a bonanza to the advertising world, as the excess profits tax was once before.

WHEN the President upset the public works line-up and then went yachting, he left that unfortunate group in a high state of uncertainty. Now it is suggested that Ickes, Sawyer, Spalding, et.al. concentrate on building a tower like that of Babel. It would be a public work that would not conflict with private enterprise, and they already have the necessary confusion.

PUBLIC relations of NIRA are in the hands of Boaz W. Long, minister to Salvador and Cuba and chief of the Latin American Division of the Department of State under President Wilson, recently head of the Latin American division of N. W. Ayer & Co., advertising agency.

Long is laying the plans for selling the Recovery plan both to industry and to the country. Some snort "ballyhoo," but ballyhoo is frankly on the program later on, and the country is to hear of the NIRA over the radio, by speakers, by motion pictures, and with all that the press will take and special writers prepare. It is not to be a "Liberty Loan" drive, but a long-term proposition, to sell the Recovery plan and to keep it sold.

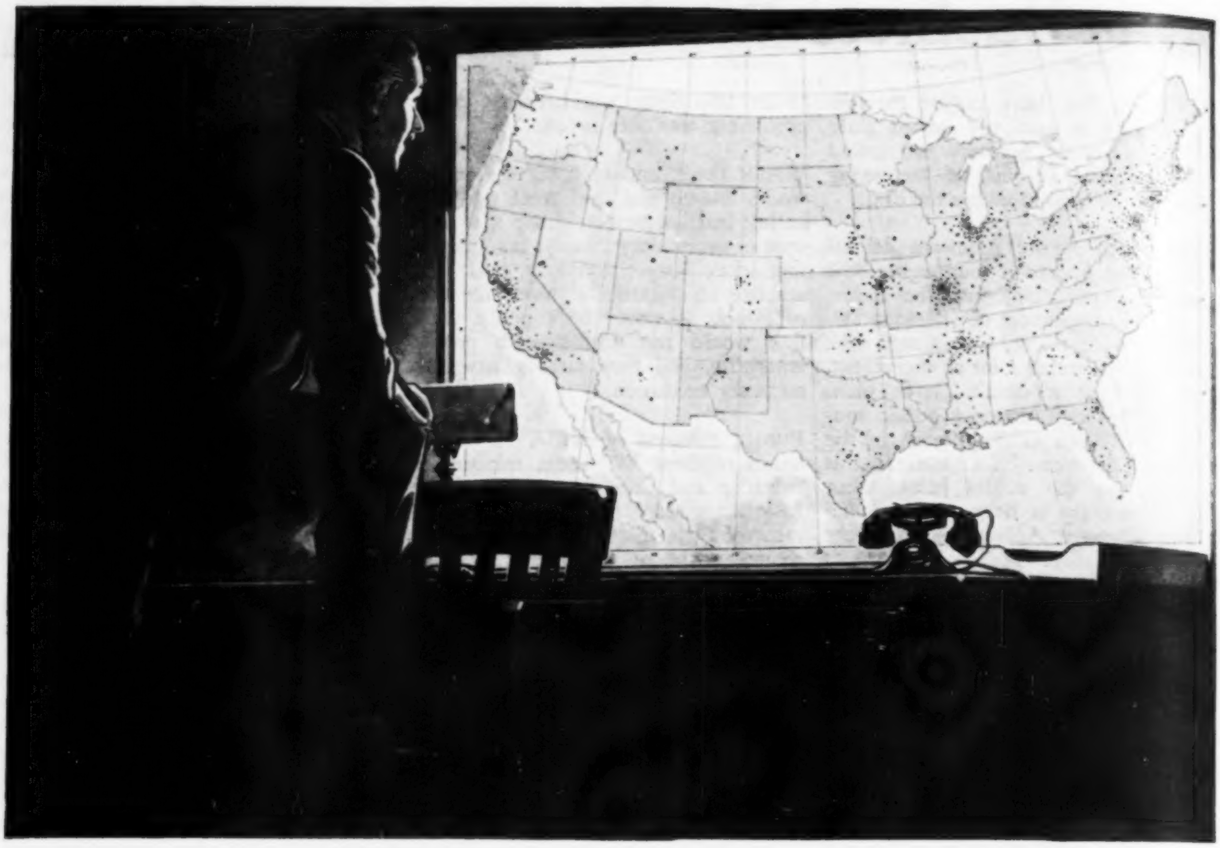
Long is no novice. Years ago in Mexico he carried on a 5-year program for a great brewery, invented "the Daughter of Moctezuma" to get him a pretty girl (and she was lovely) for his posters, and coined a phrase still used (in English) throughout Mexico—"The Beer that Made Milwaukee Jealous."

CONTRACTORS seeking pieces of public work and manufacturers attempting to sell the government supplies and materials nowadays are asked quite innocently whether their industries have yet submitted their codes to General Johnson. A code may increase wages, and thus affect costs, and thus bids—. A bidder who knows where he stands on such matters might be a better risk— Most of them get the point.

IN the office of the NIRA in the Commerce Building, General Johnson sat in an 18x12 office and his chief assistants were ensconced in booths in big open offices, booths of a type originally designed to serve patent examiners, not executives. "Manicure booths," one Senatorial observer remarked disgustedly when he came down to see about jobs.

The Business Outlook

Prevailing trade winds continue balmy. The business thermometer keeps on rising. The weather is fine for convalescence. . . . The patient is gaining strength from the better nourishment of larger orders, and taking the regulatory medicine with fair grace. . . . Non-residential building contracts were heavy during the first 3 weeks of June; total construction awards reached encouraging levels. With 7 more days' awards to be added, even last January's record will be left far behind. Residential, non-residential, and public works construction all set a daily rate well above May's. Lumber and cement industries share the gains in construction revival. . . . Coal, electric power, and carloadings continue their upward trend, indicative of the broadening of industrial activity. . . . Even the volume of business transacted by checks in centers outside of New York City pulled across the 1932 line for the first time this year. . . . Dollar wheat on the trading floor did not dissuade Secretary Wallace from declaring a 30c. a bushel process tax on wheat millers effective July 9. . . . Cotton touched 11¢ a pound, but the Department of Agriculture is stumping the countryside inducing farmers to curtail acreage. . . . Business failures are half as numerous as a year ago. Even the brisk summer months of 1929 can not claim so few defaults as are currently reported.



There's business for you out there
— *if you know where to find it*

THERE'S business to be had if you know where to find it. The important thing is to be in the right spot at the right time to get the order. When decisions are made, they are made quickly. A few hours may mean the difference between "yes" and "no."

To help locate live prospects is one of the chief functions of Long Distance telephone service. It is the long right arm of a great many salesmen and sales departments. It gets the O. K. of executives who are checking costs because it brings back dollars for every dollar spent.

Long Distance produces results because it multiplies your ability to be many places in a single day. Without moving from your desk or hotel room you can locate profitable prospects without useless chasing. You can talk personally, without long lobby waits, with the men who make decisions and place orders.

"We added the telephone to our sales force," says the President of the Champion Coated Paper Company, "and it became our star salesman."

The Norge Corporation writes—"Long Distance is one of our most profitable business tools." In one average month the Minneapolis division of the Skelly Oil Company made sales totaling $293,000 at a telephone cost of $1008 or less than ½ of 1%. The Kellogg Company, of Battle Creek, says: "The success of our merchandising plans requires an almost unlimited use of Long Distance."

Almost daily come reports of businesses, large and small, that are holding old customers and developing new markets by a planned use of Long Distance.

For more information on Long Distance telephone service, just call your local Telephone Business Office. There is no obligation.

TYPICAL STATION-TO-STATION RATES

From	To	Daytime	7:00 P.M.	8:30 P.M.
Indianapolis	Cleveland	$1.25	$1.10	$ .75
New Orleans	Atlanta	1.95	1.65	1.10
Boston	Chicago	3.25	2.65	1.75
Denver	San Francisco	3.75	3.00	2.00
Kansas City	New York	4.00	3.25	2.25

Where the charge is 50 cents or more, a federal tax applies as follows: $.50 *to* $.99, *tax* 10 *cents* . . . $1.00 *to* $1.99, *tax* 15 *cents* . . . $2.00 *or more, tax* 20 *cents.*

THE BUSINESS WEEK

JULY 1, 1933

NIRA's Teething Pains

Price-fixing, labor, and real or assumed apathy prove early difficulties in General Johnson's path. But industry as a whole is crowding to get in line, and as the new organization shakes down things are expected to run more smoothly.

WASHINGTON—The National Industrial Recovery Administration ran into its first real troubles when it was one week old. Business men's mixed feelings began to settle into a few clear lines of thought—and concern—and the present week has been spent, largely under cover, in trying to clear up the minor situations which bother industry.

A tremendous movement forward is noticeable: industry as a whole is responding, and trade association representatives estimate that about 600 important groups are working on their codes. But questions are taking sharper form, due in part to the understandable official lack of information and rulings during the first week, in part to uneasiness over perfectly sound deductions that can be drawn from the law.

There is the question of price-fixing, and allocation or control of production.

There is the labor issue, rising strongly as a result of the boost given it by President William Green of the American Federation of Labor on Saturday, June 24.

And there is apathy.

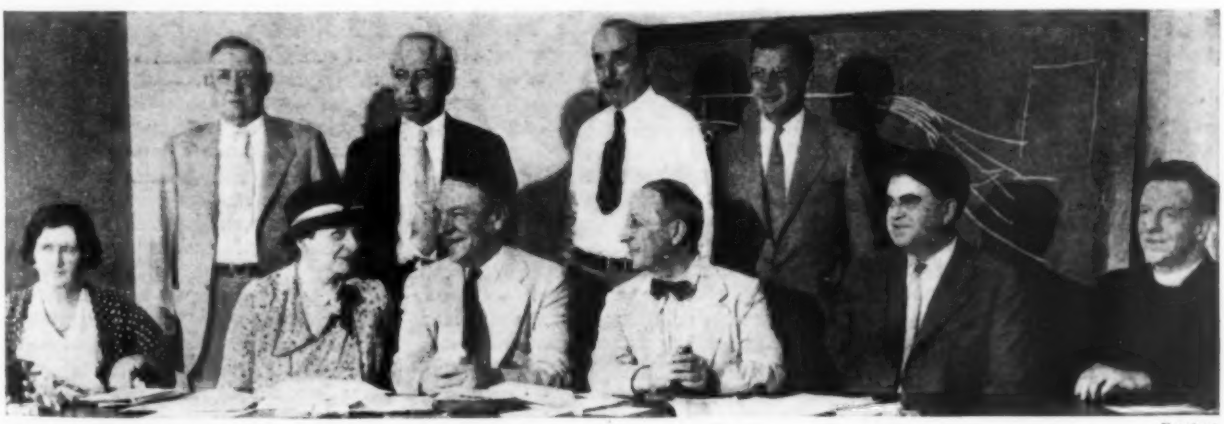
The price-fixing issue is not going to be resolved just yet, no matter what the pressure. President Roosevelt said he expected industry to carry the load of restoring purchasing power before boosting prices. The Borah amendment distinctly outlawing price-fixing was carried by the Senate, with the help of Democrats. It was cut out in conference but it reflected considerable public opinion, so the NIRA feels it can be firm on postponing the price issue except as to below-cost "chiseling."

But industry, as a whole, is not sure it can handle the lag. The normal trend of a recovery would be for prices to go up, and wages to follow. The Administration demands directly that this order be reversed, and industry is asking pointedly just how it can be done.

The bankers are going to have their chance to help—no indication yet as to how, but it is inevitable, industrial leaders who are in Washington say. One of the many plans suggested by economists by which the federal government would help with real cash may be called into actual being, right out of the textbooks and the pamphlets. Meanwhile, however, industry is restless, wants to know, and is asking General Johnson insistently what about it. It wants price fixing and price increases early, promises that with these it can catch up rapidly with its function of making new jobs and buying power.

The labor provisions of the new law are worrying many industrialists, and the Green call to organized labor to get busy and gather the advantages and develop the opportunities inherent in the law has not eased the situation at all. Green obviously was answering the trend widely apparent since the new law was signed June 16 for the formation of company unions to settle quickly the provisions for collective bargaining. Industry is asking questions about labor, both in private conferences with the General and his aides, and in the open press conferences. Labor is asking questions, too, however—about how $10-a-week wages are going to add to buying power, for instance.

President Green's pronouncement was a surprise in Washington, where it was felt that if there was anybody with nothing to worry about under the new law, it was organized labor. But there is no doubt that the company union movement has been gaining strength, and some labor leaders also feel that, with the vast power of government behind the demands for shorter hours and higher pay, membership in the big unions may not seem so necessary as



Keystone

LABOR HAS ITS SAY—Members of the Labor Advisory Committee meet with General Johnson, to present their views on wages and hours for the codes now under construction. Standing, left to right, Joseph Franklin, president of the Boilermakers Union; John Frey, of the American Federation of Labor; Edward F. McGrady, former A. F. of L. lobbyman, now one of Johnson's two assistants; Sidney Hillman, president of Amalgamated Clothing Workers. Seated, Rose Schneiderman, secretary of the Women's Trade Union League; Secretary Perkins; the General; Dr. Leo Wolman, Labor economist, chairman; John L. Lewis, president United Mine Workers; Father Francis Haas, of the Catholic Welfare Council.

it used to be. Government has never been very effective in handling labor relations, however, and labor leaders do not worry about the "long haul" of unionism.

A 20-Man Job

General Johnson denied again in his Sunday night radio broadcast that the law was built to "organize either industry or labor" and firmly believes this. But industry is restive. Some coal operators have declared they would shut down rather than put their head under the "yoke."

Now the truth of the whole matter is that there are answers to the objections of both sides, and if there were 20 General Johnsons, they could be fully and quickly explained. Many of them were set forth in *The Business Week's* "Recovery Act Catechism" (*BW—June24'33*).

General Johnson holds that the Industrial Recovery Act does not seek to regiment American industry, nor does it plan to unionize industry to industry's detriment. Everyone on both sides agrees that no good end will be served by reviving the old battle between national and company unions. The grim decisiveness of the General comes out at its strongest when he asserts his objective is peace and jobs, not labor wars and plants closing down. The law has teeth, and they show when it smiles, but they can do the business of the jaws of a wolf if necessary.

Industry can regulate itself; the government will protect it from labor or legal racketeers. It is believed that industry will be farsighted enough to see that if labor is paid well, there will be a plenty of buying power, and if not, industry itself will wither away.

Some Are Waiting to See

Third sign of a mild "revolt" of industry is the indifference (real or assumed) of certain branches of industry to the call of the President and General Johnson to come into the new partnership. Also the advice of chambers of commerce and merchants' associations (as for instance the Illinois Manufacturers' Association) to their members to go slow and see if they have to stick their necks out—and into the new yoke. Lawyers are advising their clients that there are loopholes in the law (which they will undertake to enlarge for clients). Some industries, as in foodstuffs, are holding off because they are relatively small employers of labor, are not sure that they would not rather come in under the Agricultural Allotment plan, where price-fixing is inherent, than under Industrial Recovery where it may be allowed but probably will not for a while. Charles J. Brand, co-odministrator of the Agricultural Adjustment Act, told members of the dairy industry this week that they would come under both authorities—their labor relations under NIRA, marketing practices under Wallace (page 9).

Contributing to the hesitation, perplexity, and annoyance of business men has been the inability of men who have come here to get full, prompt, or satisfactory information in reply to questions. Much excuse can be made for the administrators—with far too much to do all at once—but the condition was there, and only now is beginning to clear up.

"Selling" Efforts Started

As yet not fully organized, with its officials not yet ready to take questions on the fly, and still postponing authoritative conferences with many of the industrial leaders who make the Washington pilgrimage, NIRA is now beginning a real and studied effort to "sell" itself to industry. The effort began when Secretary Daniel C. Roper's famous "Committee of 30" (now 46) selected to advise him on the reorganization of the Department of Commerce, met for the first time here on Monday, June 26. Most of the 7 members of General Johnson's industrial advisory board are members of the Roper Committee, and the session called to talk about the Department of Commerce early resolved itself into a discussion of the Recovery Act with Roper's Assistant Secretary, Dr. John Dickinson, General Johnson, and Dudley Cates explaining, coaching. A series of private conferences, in Washington and outside (the airplane lets one travel incog. with the greatest ease) have been held by General Johnson.

The next step—rather long delayed, as time is counted in Washington these days—has been the selling of the General's organization itself to the public. When the announcement of the personnel was put out a week ago, the biographies of its members were confined to 3 lines each, and the press could get nothing more, officially, and did not care to hunt too hard unofficially. So the men around General Johnson were not "sold" to the country in the first blast. That is now being corrected.

Information, Please

Another source of uneasiness has been the apparent censorship on information. Dudley Cates, pinch-hitting for the General at a meeting of a powerful group of trade association representatives in Washington read a swell presentation of the NIRA answering many questions and laying a broad groundwork of understanding of the new law and the Administration's interpretation thereof. When, later, these trade association men asked for copies, they were told that it had been revised, and all they could have was the relatively uninformative "Bulletin No. 2," made up chiefly of quotations from the law and President Roosevelt's not exactly detailed statement.

Wide World

LONG RANGE PLANNERS—Some of the industrial and financial leaders who make up the committee which will help the Administration plan.

That was last week, and it is mentioned here only to explain why industry failed to rise to the bait as it was expected and ready to rise. Many who had been in Washington for weeks packed up and went home, convinced there was no hurry. They went back to do the best they could with the heartening, if limited, upturn in business that was to be announced from government statistics on Sunday.

Meanwhile, industry is doing a little unwelcome waiting—the "revolt" as yet amounts to little else—and every power is in the hands of General Johnson to correct that, by shedding the full light of day and of wisdom on the law and its functions and effects.

Licensing in Reserve

The stand-pat attitude is frankly resented and feared most, the industries that sit back to wait till somebody comes after them. For those, "somebody" will come, sooner than is thought possible, probably because the licensing feature, which General Johnson deprecates on all occasions, can provide codes where none are offered and can put the "good" industries to work and shut out the rest.

The wisest trade association men are advising their industries to decide quickly if they are ready to play ball, and to get to work on their codes, and if they are not, to consider the consequences of a mandated code and licensing. If they think they lie outside the new law, through their good relations with labor and because they do not need that bribe of freedom from the antitrust laws, then they are advised to prepare the case promptly and fully, and turn that in, in place of a code. It ought to be interesting if any of them do—for the spectator anyway.

Wide World

LEFT TO RIGHT—Around the table (beginning on the opposite page) Teagle of Standard Oil (N. J.), Legge of International Harvester, Sloan of General Motors, Swope of General Electric, Hurley of Chicago, Secretary Roper, Traylor, Chicago banker, Assistant Secretaries Mitchell and Dickinson of the Commerce Department, Elbert of International Holding, Kendall of Kendall Textiles. Behind and to the right of Roper, Gifford of A. T. & T. Above Hurley, Watson of International Business Machines.

Second Thoughts on Recovery

General response of industries to the call for codes leaves some hanging back, urging caution; finds a few groups too suspiciously eager to have the government's nice new broom do their housecleaning.

SECRETARIES to trade association secretaries spent another busy week typing out newspaper releases. Columns on their employers' reactions to that intriguing NIRA. Lists of organization dignitaries drafted for code-making committees. Spicy excerpts from the codes themselves—but all very tentative and unofficial. Not so much on bona fide negotiations for a Washington hearing on revisions in trade practice specifically designed to increase buying power.

Response—With Reservations

There was enough to indicate a generous industrial response to General Johnson's Sunday night radio invitation to a partnership with government in making such revisions for such a purpose. But, if the General knows the news behind the news he knows that there are a couple of other ideas on the air.

One will bring the association gentry down to Washington quick enough, but not for the exact purpose he has in mind. It's the thought, most popular among industries that have sustained heavy losses in internal warfare, that now is the time for all good men to come to the aid of profits. On the assurance that all men will be good men when you can practically call out the army to keep them good, long-embattled clans are getting together to sign peace pacts.

Before the General O.K.'s their deft prohibitions against chiselling practices, he had better see whether reparations are coming from the consumer and whether anything is going to labor; but also whether some of these codes are not based on an honest misunderstanding of the purposes of the Recovery Act rather than on the desire to put something over on a simple soldier.

Another idea that has what may be a transient attraction for another minority is that it may be better to go slow, wait and see; try it on, say, the cotton textile industry which couldn't very well ignore Mr. Roosevelt's pointing finger. When you and the President have both signed a code of fair competition it's a contract enforceable by government police power. Your individual freedom is gone and—what with those required labor clauses—your open shop may be gone with it. Wouldn't it be better to get the industry in shape to meet NIRA conditions without signing your name to anything? This may satisfy the General. As for the chisellers, they know there's a law; if that doesn't bring them to heel, you can always take them to Washington as a last resort.

The General's way may be quicker, safer and surer but approval of this way is being heard in many thoroughly respectable quarters.

A meeting of the National Industrial Conference held at Chicago, June 20, under the auspices of the National Association of Manufacturers sounded the warning note in resolutions expressing the official opinion of some 400 affiliated associations of manufacturers, said to represent approximately 56,000 employers of labor. "We applaud the efforts of the President to rehabilitate industry, but care should be taken not to sacrifice sound thinking for speed . . . more than ordinary caution in filing codes and agreeing to selling prices until, as a result of diligent study of the Act, the most satisfactory, safe and workable code for industry can be worked out."

Typical Problems Raised

Both enthusiasm and caution were reinforced by observation of the outstanding association developments of the week. Hearings on the first code to get action—that of the cotton textile industry—jumped off to an impressive start under the forceful direction of General Johnson and his staff, setting a pattern for future proceedings (page 7) and then came under the fire of labor's objections to its proposed 40-hour week as too long, its proposed minimum weekly wages ($11 in Northern mills, $10 in Southern ones) as too low. Labor's criticisms were somewhat softened by the cotton textile men's sudden decision in the midst of the debate to revise their code to ban child labor. Objections raised by manufacturers emphasized the difficulties of the problem of varying regional wages to meet disputed differences in the cost of living—which will be encountered in many another hearing. And Senator Byrne of South Carolina injected into this first of all hearings the pervasive question of machine displacement of labor by his call for an investigation of the stretchout system.

While the biggest wing of the cloth-

ing industry was pushing a labor code through the NIRA machinery, leaving details of trade practice for later action, 5 great divisions of the food industry were hammering out marketing agreements at Atlantic City for submission to the Agricultural Adjustment Administration.

Fast work on the part of the newly merged National and American Associations of Wholesale Grocers produced a code to guide subsequent action by the other grocery groups—independent retailers, voluntary chains, retailer-owned wholesalers, and the big corporate chains—if the last-named group will take such guidance. Most-discussed feature of this code was a provision fixing the selling price of a commodity at "not less than its replacement value at the time and place of sale" plus a mark-up for overhead as determined for each marketing area with government approval. Critics doubted that this attempt to corner the profits of price advances and remove the sales advantage of canny advance buying would get by the Washington watch-dogs. They pondered over the wholesalers' preoccupation with competitive troubles, the absence of all reference to labor except in a perfunctory speech by Matthew Woll, vice-president of the American Federation of Labor.

CASE HISTORY OF A CODE

(1) Trade association committee prepares a draft code, based on Model Code of the National Association of Manufacturers, on the cotton textile and other codes as they come along—actual codes becoming increasingly important as bases for codes of related industries.

(2) Draft code is taken to Washington after approval by industry committee but before submission to members of the group. When precedents are established, personal conference will not be necessary.

(3) After conference in Washington, the code—revised if necessary—is submitted to members of the industry as well as of the association, signed by the individual firms. A "substantial majority" (say 75%) must sign so that code represents industry and conforms to NIRA.

(4) Code is mailed to Washington. Date for hearing is set and code made public. NIRA Administration makes quick, intensive study of code and the industry, labor is consulted and the case prepared for hearing.

(5) At the hearing, with General Johnson or one of his deputies not connected with the industry presiding, there are experts for the industry (probably government men, trade journal editors, or others), experts for labor (named by the Labor Advisory Board of NIRA) and for the consumer (named by the Consumer Advisory Board). NIRA Attorney Richberg is among those present. The aim is a fair hearing and a quick decision.

(6) Any revision is made with the consent of the industry, but the Administrator has considerable power to use as he sees fit.

(7) The code, approved by the Administrator, goes to the President for signature, is then in full force for its industry.

Loss Leader Lost?

Food chain men were active at Atlantic City, promised to join the other groups in naming representatives (3 from each group) to a General Food Conference Board to work with Administrators Peek and Brand, but most of their leaders were in Washington sounding out these gentlemen on the rumor that they have set their faces against the loss leader. Colleagues from the drug, shoe, variety and other branches of the chain store set-up were talking—or trying to talk—with General Johnson. Codes that eliminate sales below cost, whether to insure a better deal for competitors or to provide a better break for labor, will throw bombs in the chain store arsenal.

Another distributor group that caught this week's headlines while Washington was calling for first action from manufacturers is the National Retail Dry Goods Association, putting the finishing touches on a code that seeks minimum weekly wages of $12 to $18 for men according to trading area, $10 to $12 for women, sets up a 48-hour week and would ban the sale of merchandise for less than 10% above net invoice cost.

Oil Marketers Bicker

Oil marketing men have also joined the parade. Last week in Chicago they followed up the petroleum producers in twisting their code into a nice new broom to tidy up trade practices. In 3 days of polite wrangling they worked out clauses in an agreement which included the superficially safe matter of tax evasion, on which all could agree, and licensing arrangements approximating those of the producing brethren. Then politeness was put aside and the gathering got down to business.

The big companies, not unnaturally, were satisfied with the present "lease and agency" agreements, and with certain modern improvements. They suggested a clause freezing the present set-up, making it against the code to break a contract between competitors and their dealers. Independents, on the other hand, thought this was a good time to clean up the whole system of distribution, so the issue is still unsettled.

Swing to Price-Fixing

After considerable opposition, the delegates voted, at the last minute, to include price-fixing. The President would be given authority to set maximum and minimum prices. The majority felt that this would be a fair exchange for grants to labor, but a sizeable minority, including the "trackside" gasoline stations, which can always undersell the super-service station, objected heatedly.

Two special questions hung in the air this week. Is the 10% differential in minimum wages, mentioned in the cotton textile code, the best that can be expected by divisions of other industries situated in sections where living costs and wages are substantially lower than those of their colleagues who are less favorably placed. Shoe manufacturers in the St. Louis district wondered volubly. Washington said nothing but published the little noticed code of the cast iron soil pipe industry. Minima agreed to by its members are $2.75 a day in Southern plants (Birmingham chiefly), $4.25 elsewhere in the country—a differential of over 50%.

Order of Precedence

Is the General smart in trying to handle the big industries first? In proportion to present employment, the biggest ones, with the possible exception of textiles, have few jobs they can open quickly. Little-considered ones, like the trucking group, have longest hours, may offer greatest possibilities of immediate jobs. Labor people say that reasonable working hours—not 70 to 90—would put a million more men on the motor trucks. The soil pipe industry is promising to add 2,500 men to its present 3,500 employed when its code is approved. The NIRA program may have to be modified to get quicker results over a wider area.

Meanwhile no one has yet asked Mr. Roosevelt the names of those 10 industries which he called the chief potential employers of additional labor—not even son James who is writing the journalistic log of the President's vacation for a newspaper syndicate.

Laying the Cornerstone

The administrative structure of recovery starts from the cotton textile code, first to reach Washington. Hearings show that General Johnson intends to build with speed, without ceremony, on simplest possible lines.

THE "partnership table" under the National Industrial Recovery Act is 20 feet long and 3 feet wide, and upon its ample surface was laid out on Tuesday, June 27, the code of the cotton textile industry, cornerstone of the structure which is to be raised in the course of what "may prove the most momentous social movement ever attempted."

The Line Up

General Hugh S. Johnson, Recovery Administrator, who called it that at this first of all code hearings, held the center of the long side of the table on the dais of the impressive assembly hall in the Department of Commerce building. At his right was Donald Richberg, the labor attorney who is chief of the NIRA legal division; at the right end, was W. L. Allen, the steel industrialist who presides over the textile session; behind the General, Dr. Alexander Sachs, economist; on the left, the sponsors of the textile code and the witnesses who followed them. In the semi-circle behind the table were the 3 advisory committees authorized under the law: on the General's right (perhaps significantly), the Industrial Advisory Board; on his left, the Labor Advisory Board; in the center the Consumers' Advisory Board, which had been appointed just the day before the first historic hearing was called.

The hall was packed; for an hour before the hearing began, a crowd had been waiting in the main entrance lobby of the Commerce Building—representatives of every industry which has gathered at the Capital, skilled Washington trade association representatives, and flocks of attorneys. All had come, not merely for the textile hearing, but to learn with their own eyes and ears of the procedure to be followed and the situation which they, in their turn, must face in the weeks and months to come. Members of the big-business committee which had met in Washington the day before to lay, with Secretary of Commerce Daniel C. Roper, the plans for long-range recovery to supplement and carry on through the years the tremendous drive which the National Industrial Recovery Administration was officially starting that hot Tuesday morning, were there. The whole hall, seating with its balcony some 700 people, was filled long before Mr. Allen opened the sessions. About a third of the front portion was reserved for Cabinet officers, senators and representatives, the weekly and monthly press. The daily press—including 6 special reporters sent down from New York for the daily journal of the garment industry—had long tables at the sides of the hall, and there sat and sweltered. The whole crowd did that—at least until General Johnson removed his coat (at exactly 2:10 p.m.). None but the immaculate Mr. Allen, in woolen suit and waistcoat, was able to survive sartorially intact.

Wide World

FIRST CASE—NIRA administrators sit as judge and jury on the cotton textile code, the first to be presented for government approval. Left to right, W. L. Allen, deputy administrator; Donald Richberg, counsel; Administrator General Johnson.

Short Camera Innings

The photographers had their innings at the beginning of the session, and were suppressed thereafter, a notable novelty in official Washington. The preliminaries concluded, Mr. Allen introduced General Johnson, "whose inspiration has been back of every phase of the National Industrial Recovery Act, and whose energy and devoted interest have carried the cotton textile code to the point of this hearing." General Johnson presented the men about the table, pointed out the Advisory Boards, declared that they were there "to see that every interest is represented, so that no one shall be able to say that a full and fair hearing of every element of every issue had not been given," and introduced Mr. Richberg.

There were no surprises for attorneys in the legal adviser's outline of the procedure which will be followed for all hearings. They will be, he said, "not judicial investigations, nor, strictly speaking, legislative investigations, but rather in the nature of administrative inquiries for the purpose of adequately advising the administration of the National Recovery Act of the facts upon which the exercise of administrative authority must be predicated." As the law lays down no requirements for such public hearings, "there are no statutory limitations or controls on procedure" and "no representative of a private interest favoring or opposing a code has any legal right to control or direct the presentation of evidence or the procedure." The Deputy Administrator presiding will have full control under the regulations of the Administrator, and it will be his purpose to give everyone interested an "adequate opportunity" to present evidence or suggestions for modification of a code.

"Must" Clauses

Sponsors for a code will be required to present evidence that all the requirements of Section 3a of the Recovery Act are complied with—which means proving that their associations place no unfair restrictions on membership, that the codes do not promote monopolies, do not oppress small industries.

Objectors must file their full arguments in writing and they may then be

given a place in the hearings by the Deputy Administrator. Oral arguments on other matters will be permitted only by authority of the Deputy. In the textile code hearing objectors were given until the morning of the second day to present their briefs, but hereafter these must be in before the hearing is opened.

No Cross-Examining

The Deputy is to have full control of the presentation of all testimony to avoid "unduly formal or unnecessarily extended examinations of witnesses by counsel representing a party in interest." Under no circumstances will any representative of opposing interests be permitted to cross-examine a witness as the proceedings are administrative inquiries and not judicial investigations. There will be no objection to representation by attorneys or specialists, but they will all be received as witnesses subject to questioning by the Deputy and not as counsel conducting a lawsuit.

Deputy Allen's very first day brought out informative rulings, one being that the sponsors of the codes should be allowed to present their cases in their own way without hindrance—which was modified when Mr. Allen interrupted a lengthy and colorful picture of the halcyon life of the Southern mill towns, to say that only factual evidence showing that the conditions described were common throughout the industry in that region, or at least were supported by general statistics, could be received. It had become evident at the start that if the job was to be got through with speedily, control of the evidence presented orally or read before the hearing would have to be firmly enforced.

On the whole, however, the first hearings demonstrated the soundness of the general plan of allowing the interests at stake to present their own selected spokesmen. A masterly case was presented by George Sloan, president of the Cotton-Textile Institute, the first witness, whose appearance brought forth Mr. Allen's characterization of the impressive board on the dais as the "partnership table." He was followed by Robert Amory, vice-president of the National Association of Cotton Manufacturers (Northern mill operators) who also presented his case with clarity and precision, and had obviously been selected for his abilities in this direction. The third sponsor, William D. Anderson, first vice-president of the American Cotton Manufacturers Association (Southern), interjected the first note of discord when he launched into a criticism of the tire manufacturers who have built their own cotton plants for making the heavy tire fabric which they use, and who, as they later explained, themselves, do not want to be included in the textile code. This brought forth Mr. Allen's first ruling, which is of considerable importance: Names of companies and individuals should not be brought in unless the documentary evidence supporting the charges has previously been filed.

After presentation of the statements of the 3 sponsors of the code, the Cotton-Textile Institute, the National Association of Cotton Manufacturers, and the American Cotton Manufacturers Association, the Deputy took up the code section by section, and witnesses of each group—industrial, labor, and consumer—and of special groups which had filed their observations, protests or suggestions, were heard on each clause. This set the general form of procedure to be followed in all such hearings. The Administration is publishing codes as soon as received and, with these available, it is required that all parties at interest file briefs, upon the receipt of which they will be given a place in the studies made by the Administration and/or allowed to appear as witnesses.

Public Works

Projects flow from states to Washington with prescribed priorities.

ALL over the country recommendations are in preparation for public works that in the local opinion might well be scheduled as part of the national program. To avoid a paralyzing glut of these proposed projects in Washington, the Administration is recommending an orderly procedure.

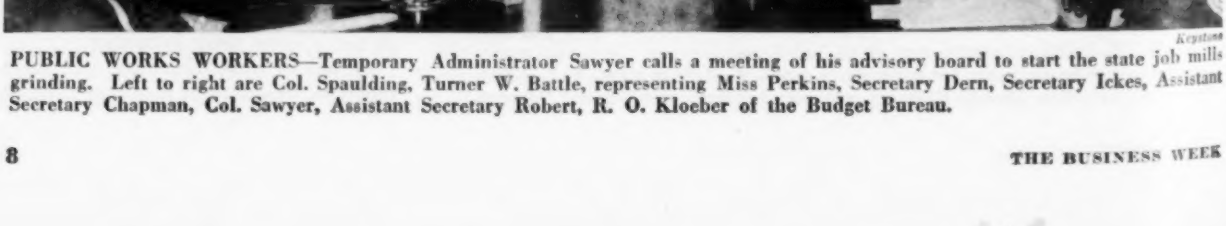
The governors, senators, and congressmen are submitting slates of 3 men for each state, from which the state administrators will be appointed by the President. It is expected that these state appointments will all be ready when the President returns to the White House. Each state administrator will be provided with a local advisory board of citizens and a technical expert sent from Washington. Legal financial and engineering work will be done so far as possible by members of the advisory staff on a per diem basis.

The state administrators will receive all proposed projects applicable to the states and submit to Washington only those which they approve. Until this organization is ready it will be useless to send applications or recommendations directly to Washington, for they will be held for state action.

Qualifications for Entry

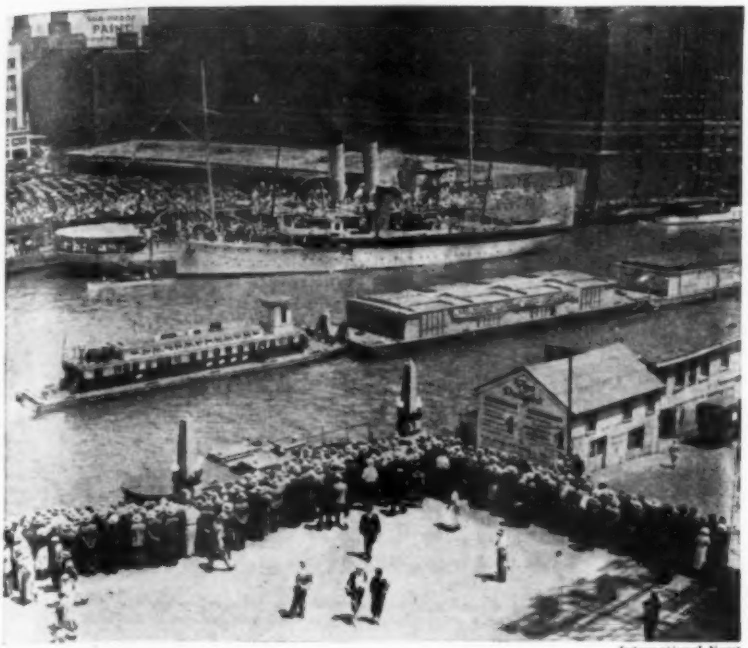
At the central public works administration, units are being set up to consider all projects from the angles of general policy. They must be sound from the engineering standpoint, legally feasible, economically desirable in relation to unemployment and the revival of industry, and appropriate in the coordinated plan, taking account of the social desirability of the project and its relation to other projected works. Any conflicts that may arise in these decisions will be ironed out by a board of investigation and review.

Priority will be given to projects that can be started at once and completed with reasonable speed, to projects located near a center of unemployment, and to those that integrate into the broad plan, as contrasted with those that are isolated and unrelated. Priority in unemployment will be given to qualified workers who are unemployed and not to those who merely wish to change jobs.



Keystone

PUBLIC WORKS WORKERS—Temporary Administrator Sawyer calls a meeting of his advisory board to start the state job mills grinding. Left to right are Col. Spaulding, Turner W. Battle, representing Miss Perkins, Secretary Dern, Secretary Ickes, Assistant Secretary Chapman, Col. Sawyer, Assistant Secretary Robert, R. O. Kloeber of the Budget Bureau.



International News

NEW ORLEANS TO CHICAGO—The City on the Lake celebrates the arrival of the first barge line tow from the City on the Gulf with bands, banners and speeches by Speaker Rainey and Secretary of War Dern.

Codes for Farm Products

Trade conferences and marketing agreements play important roles in the agricultural adjustment program —with price-fixing on the bill.

WASHINGTON—Not all the tumult in Washington is at the offices of the National Industrial Recovery Administration. There is almost as much rushing to and fro across the Mall at the Department of Agriculture. About 30% of industry comes under the controls of the Agricultural Adjustment Act in the opinion of General Johnson —and it's a very active 30%.

Like their confrères who are conferring with the General over the way, the industrialists who are to be "adjusted" to agricultural control—largely the food processors and purveyors—are chiefly concerned about trade agreements. The kind that the Department of Agriculture will turn out is to carry a price-fixing clause—something that General Johnson says he will leave out of his variety for the time being. The agricultural law specifically sanctions the fixing of minimum prices, and Administrator Peek says that "it would naturally follow that a maximum could be fixed in the agreements." His emendation may restrain those industries somewhat removed from agriculture that have been trying to get under his wing since they learned that the General would go slow on price-fixing.

Mr. Peek and his co-administrator, Mr. Brand, have been moving fast behind the fog of jurisdictional conflict that has been hanging over the department since the farm law was signed on May 12. Conferences started on May 16—with the cotton and dairy interests. Others have followed in rapid order, leading up to national meetings of dairy and sugar men this week. Cotton and wheat control programs have been announced (*BW—Jun24'33*). The administrative set-up is fast being completed.

Meanwhile, one important point seems to have been cleared up. Mr. Brand told the dairymen on Monday that, while their marketing agreements should be worked out with the Department of Agriculture, they would still have to go to General Johnson for approval of labor codes. Farm relief is one thing; Secretary Wallace and his associates will take care of the job of raising agricultural prices: industrial unemployment relief is distinctly another, and all the problems pertaining to it will remain where the General can watch them. Presumably, this ruling will apply to all of the Secretary's petitioners.

Completion of the marketing agreement drawn up by the Evaporated Milk Association provides a case study of how the Agricultural Adjustment Act will operate on the industries that come under its sway. This code definitely fixes regional prices for raw milk received at evaporating plants on the basis of a formula that takes butter and cheese values into account (since they affect the utilization of raw milk). It provides for the periodical fixing of maximum and minimum prices of finished goods by an Evaporated Milk Plan Committee and the Secretary of Agriculture.

Going Into Detail

It specifices discounts and brokers' allowances, rules out premiums and a knowingly compiled list of concessions and queer deals. It makes uniform accounting mandatory, calls for monthly sales and price reports and rules that every concern signing the code thereby agrees to report all violations that come to its notice. Eight veteran members of the industry make up the supervising committee.

Similar agreements are being worked out with milk producers and market milk distributors whose depression difficulties have recently been emphasized by "milk strikes." For contrast with General Johnson's request that NIRA trade agreements be restricted to bare labor fundamentals for the moment—details to come later—code-combers are citing a provision of the Georgia milk producers' agreement which gets way down to the details of setting aside 2¢ for each 100 lb. of milk purchased—a cent from the producer, another from the distributor—to be used by the Georgia Dairy Council in an educational campaign to stimulate the use of dairy products.

How About Hogs?

This week the heavy artillery of the Agricultural Department was largely concentrated on dairy and sugar objectives, but it is getting ready to scatter its fire among many other targets. One that arouses wide interest has been set up by the packing industry in a trade agreement submitted through the American Institute of Meat Packers. Washington is particularly concerned about the price of hogs and the intimately related price of corn. It talks of an excise tax on the hog processors to provide benefits for farmers who agree to reduce corn acreage but doubts that there will be one. Apparently, however, there is to be an allocation of hog-buying and an effort to reduce buying all round so as to push up prices and control excess production. Problem: All the large packers are overplanted. They want to base their allocation on killing capacity. And this would work to the disadvantage of the small units in the business.

Swift & Co. has taken this opportunity to ask the District of Columbia

Supreme Court for a year's extension of time (to June 15, 1934) in which to dispose of its controlling interest in Libby, McNeill & Libby as required by the recently reaffirmed packers' consent decree. Its argument cites the fact that the new controls handed to the Secretary of Agriculture should dispel all the old fears of monopoly.

While arguing with the packers, the Agricultural administrators have also had to find time to talk to many other divisions of the food-purveying industries. Chain store operators arrived in Washington this week with a delicate subject on their minds. What about loss leaders? At Atlantic City, Senator Nye (N. D.) warned the National Association of Retail Grocers, meeting with other branches of the industry, that the independents had better move fast to prevent the chains from getting ahead of them. Mr. Peek was heard in Washington decrying the use of "loss leaders," saying that practices that result in "chiseling and jimmying down" prices received by the farmer will be investigated, adding that efforts will be made to establish a definite relation between chain and independent prices. Retailers think it's a good trick if he can do it.

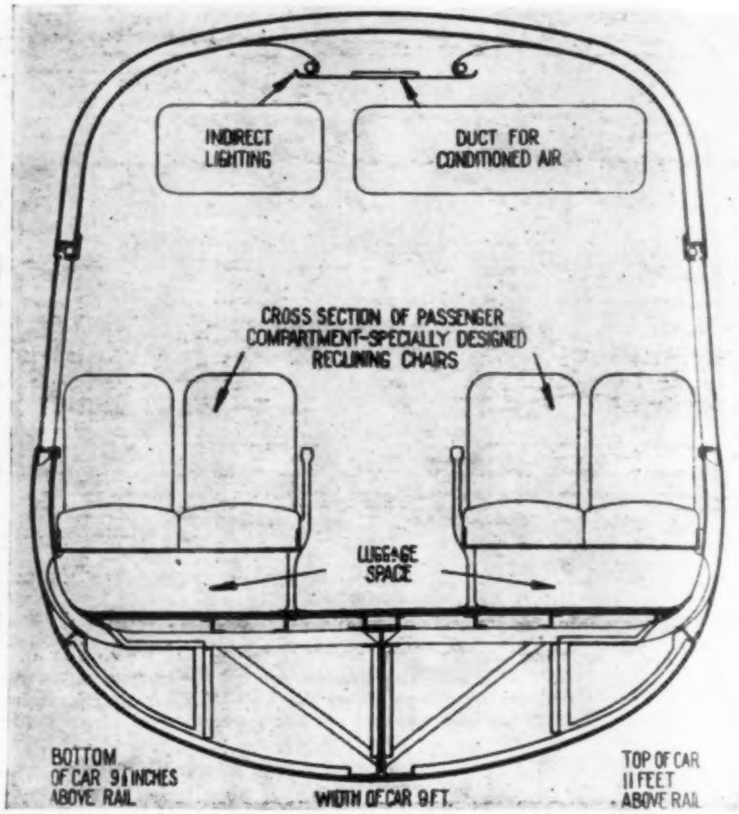
As the Agricultural Adjustment Administration swings into action, organization is still under way. Everything heads up in the Secretary of Agriculture. Under him come the 2 administrators, George N. Peek and Charles J. Brand. Under them are 7 divisions of equal rank. These with their directors are: Production, Chester C. Davis; Processing, William I. Westervelt; Finance, Oscar Johnson; Publicity, Alfred Stedman; Legal, Jerome N. Frank; Extension, Dr. C. W. Warburton; Consumers' Counsel, Dr. Frederic Clemson Howe.

Hard Coal

Railroads have reduced anthracite freight rates to the East, following Western cut.

ANTHRACITE operators have made another step forward in their fight to cut the cost of hard coal to combat competitive domestic fuels. In April they secured a reduction of freight rates for shipments west from the coal fields to Chicago. A second freight reduction is now announced on shipments to New England and Tide-Water markets.

The railroads have lowered their tariffs from 28¢ to $1.24 a ton and the coal men believe that this will be of great assistance, but the D. L. & W. Coal Co. says that its complaint against existing freight rates now pending before the I.C.C. will not be withdrawn. It asks for a complete revision of the entire hard coal freight rate structure affecting every coal carrier in the East.



CROSS-SECTION—The Union Pacific's "rail plane," announced recently, has an oval cross-section. Air-conditioning keeps the windows closed, the air clean.

Help for Rail Coordinator

Where Commissioner Eastman finds the road to better transportation service blocked, NIRA may get through. If it can't get on the trains, it can ride the trucks.

JOSEPH B. EASTMAN's title as federal Coordinator of Transportation is a misnomer. He's nothing of the sort. One might suppose that his job is to improve the country's transportation services by obtaining some coordination of rail, highway, water, and air operations. Actually, he can do so only to the extent that the railroads or their subsidiaries have already engaged in these fields. His authority doesn't extend over independently owned and operated highway, water, and air services that compete with the railroads.

Coordinator Eastman regards himself consequently as a much misunderstood man. Although still a bachelor, he's beginning to feel like a husband. He's married to a job in which much, if not more, can be accomplished by tact than by authority.

However, if the statute that ironically dubbed him "Coordinator" lets him down with a bump, there are provisions of the National Industrial Recovery Act that eventually may promote coordination of railroads and "roundabouts" to a much greater extent.

In parceling out their respective shares of the $400-million road-building fund, state highway departments have been instructed, for example, to give priority to projects that will correlate and supplement rail, road, air, and water transportation facilities and provide service to freight receiving stations, airports, and emergency landing fields. Interior Secretary Ickes and the federal public works board also reserve the right to require construction of roads desired by Coordinator Eastman for adequate year-round highway service to replace branch line railroad service proposed to be abandoned.

This policy in highway construction will be of immediate practical benefit to all railroads that have been required by the solicitous regard of the Interstate Commerce Commission and state commissions for the public con-

venience and necessity to continue branch line operations in the face of heavy deficits. The abandonment of more rail mileage coupled with the construction of highways designed to supplement rather than parallel railroads should encourage coordination, discourage competition and increase the revenues from both railroad and highway service.

What About Trucks?

Efforts of organized groups in the truck and bus fields to stabilize their operations by qualifying under the National Industrial Recovery Act may serve to reduce the desperate competition of rail and motor operators, if not to promote actual coordination of their services.

Truck hauling is not mentioned in the law but the Administrator's office is disposed to regard the operating as well as manufacturing divisions of the industry as coming within its terms. Trucks operated in connection with any business presumably would be governed by the code of that business, thus regulating the hours and wages of the truck drivers.

For-hire truck operation appears to the National Automobile Chamber of Commerce to be a separate industry that would come under a code of its own. Formation of a national federation of state motor truck associations was the objective of recent meetings held in New York and Chicago. Because of the character of the business, there has never been a national organization of truck carriers, but there are more or less representative organizations in most of the states.

Bus Men Prepare Code

The National Association of Motor Bus Operators is preparing a code for submission at a meeting of members and non-members in Washington July 14. The bus code will include rate-making and operating provisions intended to eliminate excessive service and wild-cat competition. Uniform rate-making practice also is regarded as essential to stabilizing truck-hauling but here the problem is complicated by the domination of contract over common carrier services.

As the initial step in coordinating railroad operations, Commissioner Eastman has divided the railroads into 3 regional groups represented by committees that will work with him in developing plans for operating the railroads as units in territorial systems. The extent to which this can be accomplished is sharply circumscribed by the limitations imposed on discharge of employees.

Some forward steps are being taken by the railroads on their own. As the result of a pooling agreement between the Chicago & North Western and the Soo Line one instead of 2 passenger trains will be added to handle summer traffic between Chicago and the Duluth-Superior section. Few roads have taken advantage of this provision of the 1920 law. The Great Northern, Northern Pacific, and Oregon-Washington (Union Pacific) pooled their Seattle-Tacoma service several years ago and were authorized by the I.C.C. this week to reduce their joint schedule from 5 to 3 trains daily.

Rail Planes

Another railroad has a light, streamlined, motor train under construction.

Apparently, the railroads are taking seriously the fast, light trains which seemed so far in the future such a short time ago. The Union Pacific flyer, announced recently (*BW—Jun10-'33*) is already under construction in Pullman shops. Now comes word of a similar train, equally radical in its design, being built in the Edward G. Budd shops for the Chicago, Burlington & Quincy.

Like the U.P. train, the C.B.&Q.'s departure in railroading consists of 3 cars, articulated, with the trucks between the cars. Both are powered by 600 h.p. Winton (General Motors) engines—the U.P.'s a V-type distillate-burning internal combustion engine, the other a straight 8, 2-cycle diesel.

Where the U.P. design calls for aluminum alloys, the Burlington will use stainless steel, "shot-welded" by the method developed by the Budd Co. and used with considerable success in its light-weight rail cars (*BW—Mar2; Mar9'32*) for branch line traffic.

The Burlington train, too, puts the engine and generator in the first car, with the mail and baggage, provides passenger accommodations in the air-conditioned airplane-like coaches.

Details of the Union Pacific train just made public put the overall length of the three cars at 202 feet, the first "locomotive-car" being 72 feet, the second car 60, and the third 70 feet in length, the last to allow for the streamlining "tail."

Both the new trains will go on fast runs (85 to 120 miles per hour) to meet airway competition. Both will serve light meals, but carry no diners or sleepers.

Travel Service

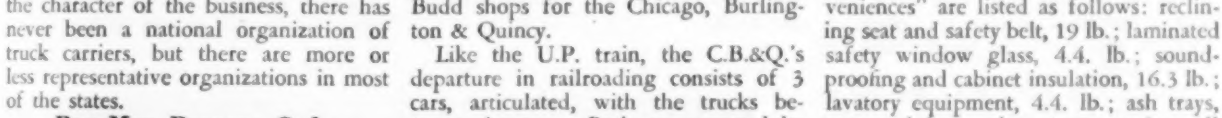
Competition between trains and planes puts new burdens on designers.

In the fight for passenger traffic, the trains have been emphasizing comfort and convenience as counter-attractions to the airplanes' promise of greater speed. Now each is trying to make use of the other's bait. Designs for faster trains are on the railroad drafting boards (*BW—Jun10'33*). The days when the air traveler was expected to accept a swift journey as sufficient compensation for discomfort are gone forever, so intelligent observers say.

This effort to narrow the margin between train and plane travel has the designer of transport planes staggering under an ever-increasing burden of extra weight. The extras that have been provided on the new Boeing 247 transports give a good indication of the present state of affairs from his viewpoint. In increased weight per passenger, "conveniences" are listed as follows: reclining seat and safety belt, 19 lb.; laminated safety window glass, 4.4. lb.; soundproofing and cabinet insulation, 16.3 lb.; lavatory equipment, 4.4. lb.; ash trays, coat and hat racks, steps, service call system, etc., 22.6 lb.; stewardess and her equipment, 28.8 lb.; baggage, 30 lb. This is close figuring.

"Obviously," comments *Aviation*, "the only way out of the dilemma is to offset these extra weights by continuous improvement in aerodynamic and structural efficiency."

Incidentally, the airways are taking another leaf from the railroad book—specifically from the railroad mileage book. American Airways is now offering for $212.50 scrip books good for $250 of transportation at the line's regular rates anywhere on its nationwide system. They are transferable from one company employee or member of a family to another. Plans to make scrip interchangeable among all airlines are under consideration.



The Business Week

RAIL BULLET—Another new train to compete with airway traffic is being rushed to completion for the Chicago, Burlington & Quincy in the Edward G. Budd shops. It will be of stainless steel, "shotwelded" by the Budd process, diesel-powered.

Ad for Advertising

The President and the General say that advertising has an essential job in recovery plan.

PEOPLE who have been worrying about what might happen to advertising under the rule of NIRA were relieved this week by news from Grand Rapids. To Edgar Kobak, president of the Advertising Federation of America, holding its national convention at the Furniture Capital, President Roosevelt had written:

"I hope the high standards which have made good advertising an economic and social force of vital importance to us all will be continued. Your cooperation will be valuable to the restoration of improved levels and flow of trade. It will also help business and industry to return to better times."

And a letter from Gen. Hugh S. Johnson had added, "Advertising is certain to be an important factor in the new industrial relationships established under the terms of the Act. . . . Good advertising will become more essential than ever. . . .

"The only kind of competition that is going to be lessened is the destructive cut-throat kind which harms industry and the public as well. There should be more competition than ever in presenting quality products to consumers and in selling those products. What we are going to need more than ever is energetic, intelligent, honest efforts to sell goods to people who are to use them."

Which, said the A.F.A., turning to its annual discussion of ways to make advertising more productive, proves that the Administration knows you can't build buying power without selling power.

Young Plan

O.K. on advertising agency compensation leaves the A.N.A. still asking questions.

POLITELY but firmly the Association of National Advertisers disagrees with the much-discussed Young report on "Advertising Agency Compensation" (*BW—May24'33*). The A.N.A. compliments the report for bringing the subject out of the shadows into open discussion but cannot accept it without further investigation because the range and amount of data presented "did not appear to support the conclusions." So the A.N.A. is going after more information on the situation.

The Young report decided that "the method of advertising agency compensation now in force is the most practicable." (Advertisers admit the "practicability" of the present system but still raise the question as to whether costs are justly distributed in proportion to services rendered.) After discussing the survey in an executive conference, the A.N.A. disavowed any official connection with it, declared it could not be accepted without further investigation. Before this meeting an analysis of the report was presented to the Executive Committee by Albert E. Haase, former managing director of the A.N.A., former associate editor of *Printers' Ink*.

The first objection raised by Mr. Haase was that the report confined itself largely to national magazines, did not devote enough attention to newspapers, radio and other forms of advertising. Possible prejudice is suggested because of a natural affinity of interest between magazine publishers and agencies which receive a 15% commission for space bought. Mr. Haase points out that there are objections to the agency commission system in the newspaper, business publication, car card, and outdoor fields. The same critic is disappointed because the report did not go into the question of legal responsibility and indicate exactly the relationship between advertiser, agency and publisher. Mr. Haase points out that many expectancies were disappointed because the Young report does not furnish a hoped-for basis of discussion on whether the present system of agency compensation should be retained, modified, or abolished in favor of, perhaps a service fee basis.

Ford Finances

Last year, there was $218 tied to every Ford.

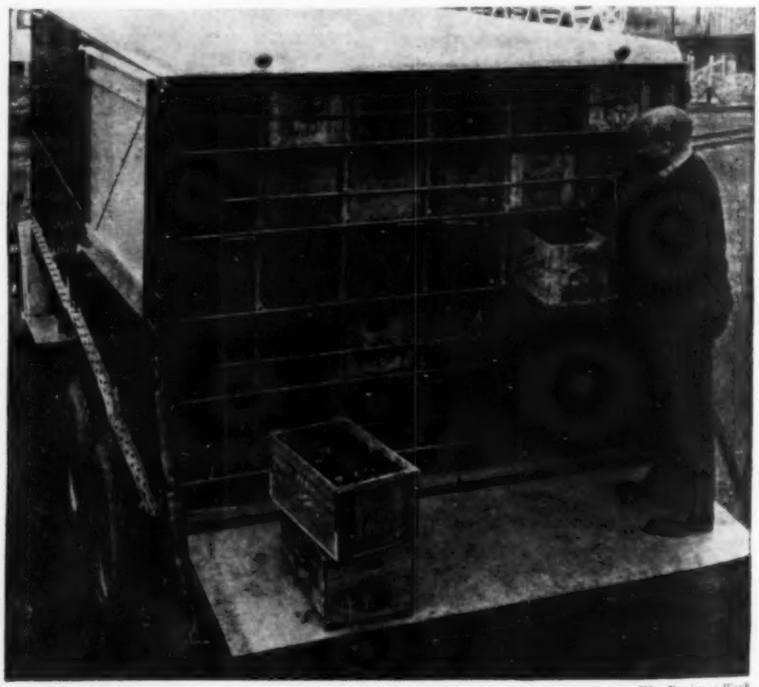
THE reticence of the Ford Motor Co. is as famous as it is unique. The company motto being "Ford for the Fords," it mimeographs no releases, publishes no figures.

Only source of the facts of the Ford financial life has been the Commonwealth of Massachusetts, where "foreign" corporations doing business in the state must file a statement of condition. This year, the neighboring state of New Hampshire asked for information, which appeared a few weeks ago. But Beacon Hill continues to hold the honor of publishing the real low-down, New Hampshire's figures being incomplete.

It cost Mr. Henry Ford and his little circle of stockholders $74,861,644 to stay in competition last year. Which means that the tidy sum of $218.64 was concealed about each of the 342,397 cars credited to him in 1932.

That $74 millions represents the difference between the profit and loss surplus account filed for 1931 and that of 1932. It compares with an indicated loss of $58,586,000 for 1931, and a profit of $44,460,823 for 1930.

There remained, on New Year's Day of this year, a profit and loss surplus of $580,440,603. Cash and accounts receivable (which, in this business amount to cash) total $303,650,430—which is financial strength in any year.



The Business Week

CASES, NEW STYLE—The "Gravity Flow Body," for case goods deliveries, keeps full cases ready at the bottom, takes the empties at the top.

Acme

KEGS, NEW STYLE—Another new beer truck handles 56 barrels, cuts in half the loading time. When a barrel is removed, another falls into place.

New Light

Sodium vapor lamps, now a commercial possibility, have their own place, do not threaten present lights.

THE bright yellow light of sodium has been put to good use in two new lamps developed separately by Westinghouse and General Electric. Its monochromatic character limits the use of this light, precludes its ever replacing the present incandescent lamp, but makes it especially suitable where color is less important than great visual acuity.

First among such possibilities is street and road lighting. General Electric has set up a half-mile demonstration at Schenectady where motorists can turn off their headlights, see clearly in the glareless yellow glow.

The G-E sodium vapor lamp designed for this use runs on direct current. It has a "floppy bonnet" shade, a "thermos bottle" bulb to keep the sodium at the efficient temperature. When first turned on, it glows ruddily, later brightening into the characteristic yellow light as the metal vaporizes. At first glance, it seems dim, but seeing is believing, and seeing is much easier because of the reduction of glare. With a wattage of only 80 to 90, it produces a light of 4000 lumens, equal to that of a 215-watt Mazda.

When the Westinghouse lamp was demonstrated indoors at the annual meeting of the New Jersey Industrial Conference, it was the first time sodium vapor lamps had been run on alternating current. Each lamp consumed 60 watts, produced the light of a 200-watt bulb.

Dr. John W. Marden, assistant director of research of the Westinghouse Lamp Co., demonstrated in various ways the sodium vapor handicaps and advantages. He said the new lamp would not push the tungsten bulbs into the background, but would find new uses for themselves. Factories, construction jobs are possibilities. Machine shops and assembly lines where workers deal with neutral colored materials and tools would benefit from the greater sharpness of vision at lower current cost. Automobile assembly lines, however, could not use it, as certain colors look yellow or black and all colors are somewhat neutralized.

Research on metal vapor lamps has been going on for years. Westinghouse started it in 1917, G-E has been at it for years here and abroad, where such lamps are now in use. Handicap has been the glass to stand the heat and the chemical reaction of sodium vapor. Only recently have the glass makers and the engineers made the vapor lamp a commercial possibility.

Smoking Up

Cigarettes turn corner with increases of 60% and 46% over previous month and year.

No business activity indexes include them with the carloadings and the bank clearings, but cigarettes constitute in themselves a sensitive straw to the big winds of big business. At once minor necessities and luxuries, they are proving to be a pretty good index of purchasing power.

Perhaps the last of the personal commodities to feel the effects of deflation, they are among the first to signal improvement in the pocketbooks.

In May, cigarette totals (always astronomical) reached the figure of 12,822,972,513. This represents a gain of 46% over the same month of 1932, and a gain of 60% over April of this year. It marks also the high point of production for all time, and leaves a net gain for the year to June 1 of 9.45%.

Cigars, eating and smoking tobacco, even snuff, shared in this increase (though not so spectacularly), May being the first month since the September of 1929 in which the tobacco industry as a whole showed gains.

High-priced perfectos jumped 156%, probably because of increased sales of expensive smokes once made in Havana and now in Jersey.

Paint Gun

A new device, developed by and for Chrysler, makes body striping an easy production job.

NOT all new products are for sale. Some are developed for a private purpose. Of such is the new paint gun developed by Chrysler for striping the bodies.

Once slow and costly, the gun makes the process quick and simple. Women operators, as a matter of fact, replace the bold and steady-handed gentlemen whose human limitations slowed up the production line.

The new striping gun is about the size of a .45 automatic. It has two tips, changeable according to width of stripe, which can make 2 stripes at once. The quick-drying paint flows by gravity when the nozzle is pressed against the surface. No air pressure is needed. A guide may be used to make an absolutely straight line.

Chrysler body workers (E. J. Weil, former operating manager of the body plant, Fred J. Leaver, master mechanic, and Pat Ryan, operative) not only invented and perfected this gun, but designed it to be economically made in the Chrysler factories. They get the royalties of the patents held by Chrysler.

Keystone

THEY'LL WATCH THE MARKET—The members of the Federal Trade Commission who will administer the Securities Act, police new issues. Left to right are Garland S. Ferguson, Charles H. March (chairman), William E. Humphrey, Ewin L. Davis.

Now to Work

Washington prepares to administer the Glass-Steagall Act. Wall Street waits for the Trade Commission to define "truth in securities." Berle says there will be more laws, and invites the bankers to help frame them.

Now that the decks have been cleared after the hectic session of Congress, there is sober work going on in Washington to organize effectively the various governmental banking corporations, and to administer the Securities Act and the Glass-Steagall Act. There is plenty of work for lawyers, who must interpret these laws, and plenty of apprehension, hope, and crystal-gazing on the part of business men, bankers, and others.

Mortgage Deluge

The Federal Home Loan Bank Board is deluged with applications from home-owners who are on the precipice of bankruptcy. The board is appointing state managers and trying to open offices in each county. The organization will be able to begin operations early in July. The Farm Credit Administration announces that it is progressing rapidly with its plan of refinancing, through the Federal Land Bank system, farm mortgages held by banks which are closed or are operating under restrictions. Wisconsin is being used as a testing ground and $50 millions of farm mortgages now held by Wisconsin banks are being refinanced.

A. A. Berle, Jr., a member of President Roosevelt's "brain trust," and adviser to the Reconstruction Finance Corp., is bluntly telling the bankers that from now on they will have to be bankers solely, engaging in no other business or speculation; that they will have to be responsible heads of their institutions at a fixed salary, never irresponsible manipulators of bank assets, thrown around among many corporations on which the bank president also sits as a member of the board of directors, and from which he receives bonuses and profits. Moreover, to the New York State Bankers Association he dropped the plain hint that there will be more bank legislation, and that the Administration invites and expects the bankers to help frame it.

There are a lot of bankers who are dissatisfied about the deposit insurance provision, the Truth-in-Securities Act, and other measures that for one reason or another they do not like. They are talking of organizing lobbies that will influence Congress and the country for repeal, they are talking about evasions of the interest provisions. They assert the unconstitutionality of the divorce of private banking from deposit banks, and of the deposit insurance provisions.

This group of bankers is not winning over much public sentiment, for just while they are active, the press is again filled with the news that the Harriman Bank in New York was allowed to run 9 months after forged entries were found in its books—that during these 9 months deposits were accepted and stock was sold, that the directors were dummies and knew nothing about the bank, and that the alleged defalcation of $1 million by the president of the bank was known for some time to many of the officers.

Bad Publicity for Banks

Nor was the public temper toward banks improved when a director testified that the sole reason for closing the First National and Guardian National Banks of Detroit was "a Wall Street plot to get Henry Ford." It must be remembered that this proved the Sarajevo of the banking crisis—it precipitated the bank holiday. The "Wall Street plot" story need not be swallowed whole, but from the testimony in general, the public gets the definite impression that its money was at the mercy of the passions, feuds, and ambitions of a few "big shots."

Most interesting of all disputed points, perhaps, is the effect of the section of the Glass Act relating to private bankers, taken in connection with the securities bill.

It seems certain the power of Congress to control private banks must be tested in the Supreme Court before administration of these two measures can be straightened out. Private banks have always been conceded within the power of the state to control. In the case of some celebrated private banks, and many small ones, of course, there has been no control to speak of. In many states (as New York), private bankers yielded to the actual control of the state only if they used the word "bank."

Unification in Sight

Under the Glass Act, the federal government attempts to assert its control. If the Supreme Court should sustain this, there is admittedly almost no limit to which the federal government could not go in additional legislation. The way would be cleared, for instance, for any sort of law forcing all banks into one banking system—the goal of most friends of the Federal Reserve since its inception.

Some of the provisions of the Glass banking bill have already become operative. Because the commercial banks are not permitted to pay interest on demand deposits, there have been withdrawals in one week from New York City reporting member banks of $347 millions, of which only $65 millions reappeared as time deposits. New York banks anticipate that they will be able to hold the deposits of the interior banks by converting them into time deposits—on which interest is legal—and making loans to the depositing banks at the same rate of interest whenever they are in need of funds.

There is apt to be litigation and eventually a Supreme Court decision

Every policy you buy should be part of a planned Program of Protection

"Those two men in the next office are older than you and probably need Insurance Programs entirely different from the one you ought to have."

WHEN you are in your twenties, working for a modest salary, with no one depending upon you but your wife, you may not need the same kind of an Insurance Program as an older man who has a wife and two or three children.

Your first thought is for the protection of your wife if anything happens to you. An older man's needs are more complex. In addition to providing for his wife, he wants each of his children to have an education. And he thinks of the future, when he and his wife hope for leisure and a fixed monthly income.

If you compare notes with a half dozen of your friends you may discover that each one should have a different Insurance Program to meet his particular needs.

Perhaps you, like many others, can arrange to have the kind of protection you want by paying for it monthly. Many find it easier to make twelve small payments than one larger one. This also is part of the Metropolitan's service in meeting each person's preference and convenience.

Ask a Metropolitan Field-Man to help you plan an Insurance Program that will meet your present needs and probable future requirements—a Program that will fit you.

Have a well-rounded Program of Protection. The Metropolitan's contracts afford a means to

—create estates and incomes for families
—pay off mortgages
—educate children
—provide income in the event of retirement
—establish business credits
—stabilize business organizations by indemnifying them against the loss of key-men
—provide group protection for employees covering accident, sickness, old age and death
—provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

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Without obligation on my part, I shall be glad to have you give me information concerning an Insurance Program that will fit my needs.

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FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

with respect to the deposit insurance fund.

Some bankers assert there is no limit under the law to the amount they can be assessed to make up for losses. As the bill finally passed, it merely provided that "whenever" the net debit balance—in short the losses under the insurance fund—shall reach ¼% of the total insured deposits, there shall be an assessment on the banks for that amount.

The banks' attorneys are contending that this may easily amount to taking property without due process of law, and hence be unconstitutional.

As the law is written, there is no restriction on the number of assessments. In fact it is limited only to the amount of losses! The original language of the provision provided for assessments "up to ½%" of the total deposits. This was changed before final action.

But there is considerable constructive thinking going on. Benjamin Anderson of the Chase Bank—biggest of all, and preeminently a bank for bankers—has finally and reluctantly come around to branch banking and is advising extension of branch banking in New York state. Vigorous discussion leading to branch bank legislation is going on in other states.

The savings bankers of New York state plan to establish a central trust company from which to borrow money when necessary and a mortgage loan company to which they can sell securities until the mortgage market becomes more normal. The savings banks expect indirectly to make available to themselves the facilities of the Federal Reserve system and the Reconstruction Finance Corp. The capital is to be supplied by the banks.

Consensus of opinion as to the Securities Act is that everything depends on the regulations to be issued by the Federal Trade Commission. The wording of these may prove to be much more important than the actual language of the bill. The language of the act itself is characterized by brokers, bankers, and lawyers as hazy in the extreme. Rulings in the immediate future should clear up the fog.

Psychic Inflation

Prices have advanced but money in circulation is less, credit has declined, and further deflation is in the offing. However, having crossed the Rubicon, the inflation campaign must proceed.

THE confusion of Isaac when he said "The voice is Jacob's voice, but the hands are the hands of Esau," is as nothing to the confusion in Wall Street over inflation. The price level is that of inflation but no inflationary measures have appeared to support it. Primarily, inflation means the raising of prices. That has been accomplished. Prices have risen. But we are not so certain that the advance in prices is the consequence of inflation.

The Federal Reserve *Bulletin*, in its June issue, has an interesting study of prices of 6 commodities, of which 4, cotton, lard, silver, and copper, are important raw commodities on the American markets. The study shows that from Mar. 1 to June 1 of this year, the average price of these commodities advanced 60%. About ½ of this advance corresponds to a rise in the British or world prices of these commodities. Of the other half of the advance, a part corresponds to the decline in the exchange value of the dollar as compared with the pound sterling, and a part, about 10%, represents price advances in the American markets, both in advance of the British prices and the depreciation of the dollar in the exchange market.

Globe

CODE WORKER—Arthur D. Whiteside, president of Dun & Bradstreet and an organizer of the Wool Institute, one of the Deputy Administrators of the Recovery Act who will review trade practice codes.

With this as a springboard we dive into a sea of polemics. One group argues that 50% of the rise is the consequence of world conditions and currency depreciation, and would have happened without domestic inflationary measures. Only 10% needs to be accounted for, and even that 10% rise need not be associated with inflation, but may be explained by increased industrial activity. They argue that the absurdly low prices were ripe for a rise, that healing influences had been at work throughout the world and that inflationary psychology is merely the beneficiary of "natural improvement."

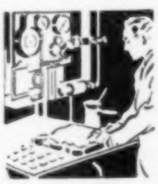
Skeptics attack this thinking by showing that the motivating cause for the world advance remains obscure. It has been too swift and sudden to be attributed to a normal increase in buying demand. It is not improbable that the buying demand created here by dollar depreciation has made for a speculative buying demand all over the world, and has lifted world prices. It is not so certain that the cause and effect can be so neatly and mathematically segregated as is done by the Federal Reserve Board.

But whether we attribute 10% or 50% or even the entire rise to domestic

torture chambers

THE ANNALS of barbarism tell a story of unspeakable tortures imposed upon men, testing their fortitude and faith, revealing their intrinsic character and worth—a story which explains in part the halting progress of civilization.

But today civilization moves forward at a swifter pace *in the torture chambers of industry,* where



unheard of trials are imposed upon products, to determine their intrinsic merit and their ultimate usefulness in the service of mankind. The furnace, the rack and the wheel—refined and supplemented by the trained ingenuity of modern engineering science—are employed by progressive manufacturers to assure in advance the integrity of product-performance.

Here at Goodrich the testing program, we believe, is unique. It includes not only the checking of raw materials as they arrive and the inspection of finished goods before they leave the plant; but also a series of intermediate tests, to which all material in process is rigidly subjected. We call it "process control." Where literally thousands of rubber products take shape and hundreds of different compounds are in daily use, process control becomes an unfailing guide—to the goal of uniform quality.

Like research or scientific purchasing or craftsmanship, process control is highly regarded here as one of the essential elements of quality — one of the imponderables which industrial buyers will appraise — ***indispensable*** wherever American Industry is now girding itself to take advantage of "the New Deal." . . . The B. F. Goodrich Rubber Company, Mechanical Rubber Goods Division, Akron, O.

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Conveyor, Elevator and Transmission Belting . . . Air, Steam, Water and Suction Hose . . . Rubber Lining for Storage, Pickling and Plating Tanks, Tank Cars, Pipe and Valves . . . Packing . . . Molded Rubber Products . . . Heels and Soles . . . and a Complete Line of Miscellaneous Rubber Items.

inflation, the academic economists pursuing the enigmatic figures of currency, credit, and trade have difficulty in unearthing the particular activity that produced this alleged inflation. The orthodox formula for inflation is that it comes about by increase in currency, in credit, in turnover of currency, or a combination of any of these.

Point one is that money in circulation has not increased. In fact, it has declined from $7.5 billions on Mar. 8 to $5.7 billions on June 21. It is true that Congress has extended wide powers to the President and to the Federal Reserve banks to expand the currency, but only the threat or promise of such extension overhangs the financial market. The plain fact is that money in circulation has contracted to the tune of $1.8 billions.

Financial hierophants immediately point out that the currency in circulation is the minor of our circulating media and that the more important one is bank credit. The decline in circulatory media may be more than offset by an increase in bank credit. What are the facts?

No Credit Inflation Shown

An examination of the open market operations of the Federal Reserve banks yields results that are disappointing to this theory. On Mar. 8, bills bought in the open market totaled $417 millions, and on June 21, holdings of these bills had dropped to $9 millions. United States government securities held were almost $1.9 billions and are only slightly over that figure today. The total of bills and all securities, which was $3.7 billions on Mar. 8, had dropped to $2.2 billions on June 21. Nor are these figures offset by loans extended by Federal Reserve banks to their member banks. On Mar. 8 these loans totalled $1.4 billions. On June 21 these loans to member banks had dropped to $222 millions. As far as the Federal Reserve banks go, there has been wholesale deflation rather than inflation.

Point two: There is no evidence that credit inflation has been started, or is being contemplated, or that the vast powers extended to the Federal Reserve banks are being used.

When we turn from our central banks to the member banks of the Federal Reserve system, the picture against inflation is less clear and is somewhat confused by the absence of reliable data of licensed and unlicensed banks. Member banks, in 90 leading cities reporting to the Federal Reserve banks, show an increase of total net demand deposits from $10.3 billions on May 3 (the first post bank holiday figure available) to $10.8 billions on June 21, an increase of $500 millions. But that is for banks in the larger cities. The Federal Reserve *Bulletin* reports that out of a total of 6,699 member banks on May 31, 1933, there were 1,163 with deposits of $1.8 billions which had not yet been licensed. These official figures for the member banks in themselves more than wipe out the addition of credit in the 90 leading cities. No figures showing the present condition of the 11,691 non-member banks are available. It has been estimated (*BW—Jun24'33*) that 3,900 non-member banks with deposits of $3.5 billions are still closed.

How About Velocity?

No statistical data exist to show the velocity of money in circulation. Bank clearings are a rough index of deposit turnover and therefore are rough indicators of the velocity of money. According to Dun & Bradstreet, clearings in New York City show an increase of 16.3%, but centers outside of New York City show an increase of only .6%. The obvious conclusion is that money is much less sluggish than it was 3 months ago, at least in New York, though nothing startling has happened in the interior. From that standpoint of greater velocity the decreased use of actual currency could be partially explained and might justify somewhat higher prices. It is tenuous, especially when considered from the standpoint of the interior banks.

On the whole, we are confronted with the phenomena of higher prices without any of the accompanying measures for inflation. In fact, we have gone through an additional deflationary period. All that has happened thus far is that the public has expected, and prices have advanced in anticipation of, inflation.

It's Anybody's Guess

What will happen from now on is anybody's guess. The Administration has power to increase credit by opening more banks, by the open market operations of the Federal Reserve banks, and by the construction program. How rapidly any of these measures will be used is a moot question.

On the other hand, there are certain forces which, if left unhindered, will make for deflation. The provision in the Glass-Steagall bill prohibiting interest payments has already caused a loss of $347 millions of demand deposits in the New York City commercial banks. A part of this was redeposited as time deposits, but much of it was withdrawn by out-of-town banks, who saw no point in keeping deposits in New York for which they received no interest. New York City banks hold a total of $1.4 billions deposits for out-of-town banks. It may be expected that, partly by voluntary withdrawals, and partly because these correspondent banks must ultimately become members of the Federal Reserve system, and thus will be compelled to deposit their reserves with the Federal Reserve banks, all of these deposits will be withdrawn

ASSISTANT FOR INDUSTRY—Dudley Cates, Chicago insurance man, secretary of wartime Capital Issues Committee, who gets a key position in the Recovery Administration.

from New York City. The withdrawals will be felt by banks in New York, which will be forced to liquidate loans and sell securities. What the interior banks will do with these freed deposits is anybody's guess. Will they use the funds to extend call loans on the exchanges, to buy securities, or to extend loans? If it is the latter, the shift may result in expansion of credit.

Seeds of Deflation

The deposit insurance provisions of the Glass-Steagall Banking Act specify that the 11,691 non-member banks must so adjust their loans and investments as to make themselves eligible for Federal Reserve membership. Thousands of these non-member banks will be unable to put themselves on to the eligible list and will be forced to liquidate. Thousands of other banks will be forced to call loans and to dispose of their questionable securities. We have here the seed of wholesale deflation.

On the whole then, the advance in commodity prices has been wholly because of a psychological inflation. The facts and figures do not bear out any inflationary processes. But like Caesar's army, which after crossing the Rubicon was unable to turn back and faced either victory or destruction, the inflation, whether psychological or real, now must be supported. The speed with which prices have advanced permits no temporizing. The Administration cannot afford to permit an undermining of public confidence in the new price levels by allowing a serious setback to occur now.

Wide Reading

Are You Ready for a Shorter Day? R. H. Rositzke. *Factory Management and Maintenance,* June. Shorter hours are in the cards. Whether they come all at once as part of a national program for economic recovery, or more gradually through concerted action within industries, more people must work fewer hours to make more money. What one textile mill is doing to meet the new demands.

A High Road for Business. A. A. Berle, Jr. *Scribner's,* June. A new "business responsibility" is a better way out of the present dilemma than collectivism. Other countries have achieved benefits through collective effort without shifting to communism. We are headed in that direction, says the adviser to the R.F.C.

Textile Trade Associations Move Promptly to Align Themselves With Industry Recovery Program. *Textile World,* June. Textile industry will get prompt hearing in Washington. Each branch has already made initial moves.

Money-In-Motion. John Chamberlain. *New Outlook,* June. The current need is not more money, but a more rapid turnover of what we have. A stamp scrip has solved the problem in a number of communities.

The New Challenge to the Trade Association. Roscoe C. Edlund. *Executives Service Bulletin,* June. Responsibilities placed on associations by the new Recovery Act. Seven outstanding problems which industries must solve for themselves.

Gas: A Study in Expansion. N. R. Danielian. *Atlantic,* July. The case of Associated Gas.

World's Fair Buildings. *Construction Methods,* June. New materials and new methods of construction discussed and helpfully illustrated.

Cincinnati Terminal. *Fortune,* June. The $41 million structure—newest in the U. S.—with notes on good and bad terminals.

REPORTS—SURVEYS

A "Model Code" for Self-Governing Industries. Dr. A. P. Haake. National Association of Manufacturers, Washington, 17 pp. Suggested basis for vamping industrial codes under the National Recovery Bill. Executives will want to study this prescribed code, and the suggested methods of putting a special code for their industries into effect. Pamphlet is freely available.

BOOKS

Collective Bargaining in Chicago, 1929-1930. C. Lawrence Christenson. University of Chicago Press, 396 pp., $3. Statistical study of position of organized labor in major industries in Chicago. Of special interest now that collective bargaining will receive a new impetus under the Recovery Act.

The Federal Reserve Act. J. Laurence Laughlin. Macmillan, 400 pp., $3.50. Review of the origins of the Federal Reserve Act with an explanation of the problems now facing the system. Another book executives not too familiar with Federal Reserve operations will want to read and understand because of the growing responsibility of the Reserve system.

London—First Fruits

Results are still confined to small groups, but after all, the conference is just getting started. A lot of trade can be revived if there are enough 2-country agreements.

WHEN it was first broadcast that 66 nations would be represented at the World Economic Conference in London, there were misgivings among those who follow the course of great international conferences. Until now, a conference with more than half a dozen nations represented—unless they were pretty closely tied in a few groups—has made slow progress.

It was realized from the first that whatever would be accomplished at London would first have been worked out by small groups. This week's 4 developments strikingly bear this out.

Curtailment of wheat production was a major issue. Canada, Argentina, Australia, and the United States were principally involved, though Russia was invited to participate because it is generally admitted that the Soviets will some day be producers of a surplus.

Australia Haggles

The proposal advanced by the American delegates called for a curtailment scheme—probably 15% this year and 10% next year. Canada and the Argentine have agreed to the plan. Australia is hesitating, due to pressure from voters at home. There are few who think that the plan will fall through because they know that the United States has a strong whip in the form of a sufficiently large surplus to upset world markets and world prices if it should be dumped. Wheat may lead the way to other restriction schemes. Sugar growers are already in conference at London. Rubber, tea, tin producers have been planning for a year.

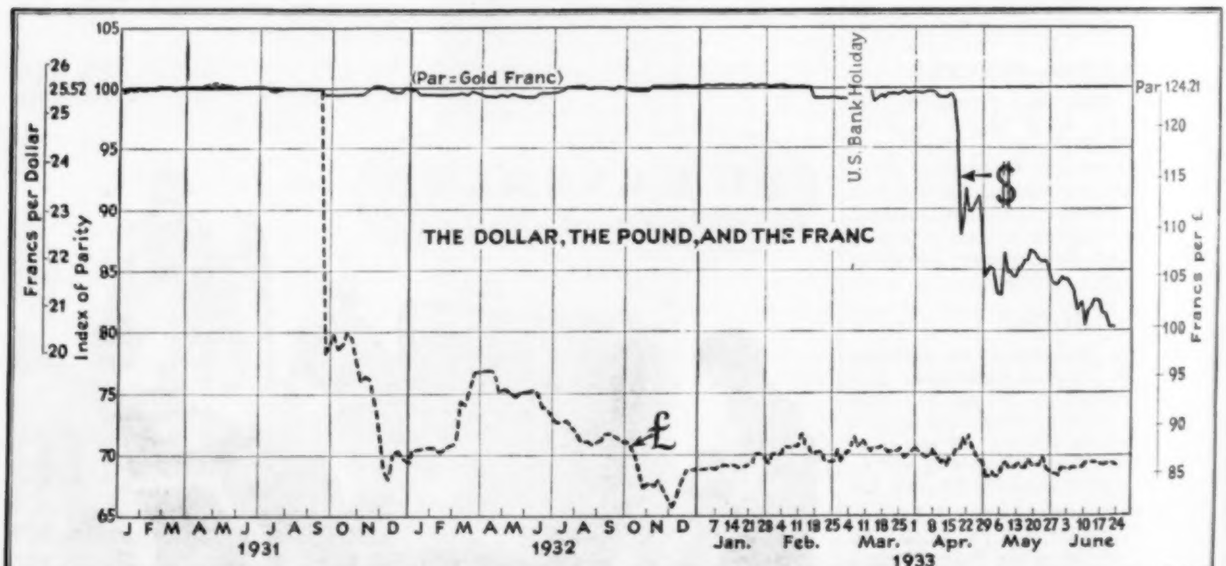
Anglo-Russian Dickering

British and Soviet delegates carried on their own side negotiations. Neither country is particularly happy over the break-off of trade relations a month or more ago. Britain is one of Russia's best markets, even with the preferences the Ottawa conference allowed to members of the Empire. Russia, on the other hand, has always taken a fair volume of British goods. Quite as important, the bulk of Soviet shipping has been in British bottoms. When the recent break came, Moscow made it complete, refused to charter any more British ships. Pressure on London politicians from British shipping interests has been relentless. Inasmuch as the British public has blamed the government for its awkward handling of the whole affair, it probably has become a matter of patching things up without losing face. The trade talks in London naturally bring both groups together. An unfortunate rift may be patched up before the conference ends.

The German visitors at London are as busy as any other group, with some of their major business outside the conference halls. Dr. Schacht, head of the German delegation, invited Germany's creditors to come to London to discuss the new moratorium—in fact, to discuss the whole debt problem, for the old "standstill" agreement has to be revised now that Germany has postponed payment on long-term debt interest too (page 24). Creditors accepted the invitation of the Reichsbank head and are presenting their cases and their demands. Bargaining is sharp, but not altogether unfriendly. Germans have not defaulted. Their payments are being made internally in Reichsmarks. They need only a normal flow of foreign trade to realize the necessary foreign exchange to make the transfer. Probably they will announce some arrangement with creditors within another week.

The Gold Question

The fourth development was less definite. It concerned the old question of currency stabilization and the bargaining between the "gold bloc," headed by France and Holland, and the dollar and sterling groups. Britain has moved further from the gold bloc, is evidently ready to play ball with the inflationists if they also will make concessions. Holland was caught in something of a jam when the rumor got out that the Dutch would leave the gold standard. Her colonies in the East Indies especially want the advantage of a devalued guilder. The guilder was under pressure for several days, then recovered. It caused little surprise.



The Business Week

THE PROBLEM AT LONDON—The French franc is still on the gold standard. The British pound slipped off in 1931, the American dollar in 1933. Fluctuations of the pound and the dollar are measured in terms of a stable currency. The pound is depreciated more than the dollar but, in recent months, is much more stable. France, at the London Conference, wants to stabilize currencies; Britain and the U. S. want to raise prices first. Pressure on the Dutch guilder may spread to the remaining gold countries. (Data for 1931-1932 based on weekly averages; 1933 based on daily quotations.)

There are not a few critics who feel that the gold standard currencies cannot hold their own much longer. There are other critics who believe that neither Washington nor London wants to push France and Holland off gold if it would precipitate a race to devaluate.

Beyond these developments, there were several outside the London conference which commanded some attention. Argentina and Spain, for example, have made their own 2-party agreement to remove exchange barriers as far as trade moving between them is concerned. Salvador, smallest of the Central American countries, announced during the week that it would resume interest payments on its foreign loans—mostly to the United States and to Great Britain. And in Tokyo, Soviet and Japanese representatives settled down to the problem of the Chinese Eastern Railroad. If they can dispose of it, the point of greatest friction between them will have been removed (page 27).

Too much of the sharpness of early bargaining at the London Conference has been interpreted as a gloomy forecast of complete failure. Results so far have been small, but the conference is really just getting under way. Only a few of the agreements signed at London will involve all 66 nations attending the conference. The 2- or 3-country agreements which are already being reached can be tremendously important if there are enough of them.

Germany's Debtors

How "blocked" accounts are tied up in Germany; why the new transfer moratorium is a bargaining weapon for Berlin. July 1 may bring new ruling on all accounts.

BERLIN—Germany's newest debt moratorium announcement has brought German bankers a flood of inquiries from foreign creditors in the last few weeks.

Dr. Schacht, head of the Reichsbank, announced on June 8 that Germany could no longer transfer the interest due abroad on long-term debts, effective July 1. Germans, however, were not to be excused from paying this interest. The Reichsbank, it was explained, would set up a plan whereby the interest payments would be made into blocked accounts in German banks. Beyond this, there were no details. Dr. Schacht soon hurried over to London for the opening of the World Economic Conference, suggested that foreign bondholders form themselves into organized groups and appoint a representative to come to London to confer with German officials beginning June 13.

So far, only British bondholders are effectively organized, though in several other countries—including the United States—banks which issued the German bonds have delegated a representative to look after the interests of the stockholders until some other provision is made.

Several current developments have brought the matter to the attention of the general public this week. The formation of a Syndicate of American Creditors Owning German Blocked Accounts (will they call it Sacogba?) has been announced. It is estimated that $800 millions of these accounts are held by persons who are not protected by the "standstill" agreement on short-term indebtedness, and who now may suffer from whatever new arrangements may be made with organized long-term creditors.

A second disturbing development is the bargaining which is taking place informally in London. The British, the Dutch, and the Swiss are—after the Americans—Germany's largest creditors. With each of these countries Germany has a favorable balance of trade. Americans are now aware that a great deal of pressure is being exerted on Germany by these creditors to get preferential treatment under the moratorium. Germany can't refuse flatly, for it is with this favorable trade balance that many foreign obligations have been met in other countries, notably the United States.

The real reason for the present flurry, however, is the fact that July 1—the date when the new moratorium becomes operative—is almost here. Debtors want to know what is going to happen to the interest and amortization payments due them after that date. Only a few payments are due in July, but they will no doubt indicate what is to happen to the servicing on nearly $2½ billions of long-term obligations.

In its significance, this transfer moratorium ranks with the abandonment of the gold standard by England in September, 1931, and President Roosevelt's deliberate action in April of this year. It marks a new stage of distortion and rupture of the international credit and payment machinery. It is Germany's second moratorium. In July, 1931, Berlin discontinued payment on principal on almost all foreign debts, which totaled $4½ billions. Now, with

The Gold Producer

HERE is one product for which there is a constant demand, a product for which there is no substitute. What other product or service enjoys such an enviable position? We don't know of any! Too many people now seem to think that the Administration's economic program is going to do away with the need for selling effort and advertising. That all other products, somehow, like gold, will sell themselves.

The "Industry Control" provisions of the National Recovery Act provide no magic formula

"Advertising's Job in the Changing World"

"A New Deal" . . . "The National Industrial Recovery Act" . . . "Inflation" . . . "Public Works" . . . "Trade Associations" . . . "Volume and Price Control"—these are but a few of the vital and exciting topics of discussion wherever business men meet. Appropriately enough the Advertising Federation of America chose the timely theme "Advertising's Job in the Changing World," for its 1933 Convention at Grand Rapids, Michigan.

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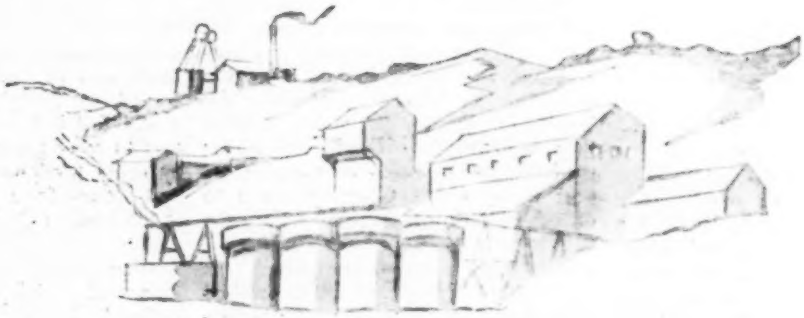

to eliminate legitimate competition. No individual manufacturer need expect Government to provide a substitute for honest selling effort. The intent of current legislative action is to control unfair competitive practices and to stop cut-throat price slashing which is so obviously harmful to consumer purchasing power and to business.

As business expands, plants must be rehabilitated, products improved and processes modernized. Business and industry seek information, constructive criticism and ideas. Some they get through trade associations, some from business publications.

New men in new jobs are eagerly seeking to educate themselves to meet exacting requirements. Naturally they turn to their business papers. Members of trade associations are busy gathering fundamental data, statistics and expert opinions. They, too, turn to direct contacts with editors, as well as to the reading of business publications.

Never was there a better opportunity for the advertiser to put his message before an interested and awakened audience. But advertising must do more than merely display products. It must offer ideas. It must suggest product improvement or genuine cost reduction. It must talk in terms of new conditions in a changing economic and social order.

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A MESSAGE

For Trade Associations and for their advertising counselors

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The Administration's Program for national recovery gives new prestige and new responsibilities to the trade associations which represent business. Representatives of these associations are cordially invited to correspond with the editors of McGraw-Hill Publications, who can be of service in the exchange and assembly of information. Special editorial representatives maintained in Washington keep McGraw-Hill Publications in close contact with current and pending events. Several associations have their New York offices in the Mc-Graw-Hill Building. A limited amount of space is still available at unusually attractive rentals for centrally-located offices.

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Business Week

a gold reserve so small that it provides less than a 10% cover on outstanding currency, interest payments are discontinued on 80% of the foreign debt.

Germany's present restrictions on the transfer of foreign exchange have created 5 major categories of "blocked" accounts.

The First Class

The first of these are the balances, in Reichsmarks, which were deposited in German banks before July 16, 1931, and which could not be moved after that date because of Germany's transfer ban. There are no accurate estimates of the amount held in these accounts, but it is known that the Reichsbank has allowed some of these to be used as payment for German exports. When the owners sell these accounts to American (or other) importers, they usually sell at a discount of 20% to 30%, depending on the demand.

A second group of accounts are those not covered by the "old · accounts" clause, or by the "standstill agreement." They are not large, and permits have been issued from time to time for the use of some portion of them for payment on German exports.

A third group are those accounts which have grown up through the payment by Germans, in Reichsmark notes, to foreigners for miscellaneous obligations. Like the first 2 groups, these credits have been allowed for use in payment on imports when Reichsbank officials see fit.

Accounts have also been established by foreigners who have disposed of their German (mark) securities since the transfer moratorium was established and who were not permitted to transfer the money out of Germany. In the case of these accounts, few permits have been granted for the utilization of these funds for current commercial purposes, this to prevent the flight of capital from Germany.

Class No. 5

Finally, there are the "standstill" accounts which cover the short-term debts. Creditors have a formal agreement with Germany which has provided for the transfer of interest (in several cases, after it was reduced). Principal has been reinvested or deposited on account in Berlin. This has built up some large accounts. Germans, eager to help their creditors as far as possible, have made some special concessions to creditors as foreign exchange became available. One of the most interesting of these is the sale of so-called "tourist marks." Creditors are allowed to dispose of fixed amounts of these blocked accounts from time to time for use of foreign tourists who plan to travel in Germany. The discount rate has been relatively steady at from 15% to 18%, depending on demand. Foreigners may acquire the marks abroad but use them only in Germany, though they can be applied as payment for everything except travel on German ships in the transatlantic conference. This concession was considered unfair by other members of the conference and Germans agreed to abide by the majority demands of the conference members.

Berlin stated specifically, when the latest transfer moratorium was announced, that it would not affect the credits already being handled under the "standstill" agreement. This is because they are primarily short-term credits used for the financing of German export trade, which Germany wants to disturb as little as possible. Before the year is over, however, a comprehensive adjustment of all debts is expected.

A sixth category will be established after July 1 to cover the accounts payable to long-term debtors. How these funds may be reinvested, whether or not they will draw interest if deposited, what chances there may be for disposal to foreign importers buying from Germany—all remain to be explained by the Berlin government.

The amount due to the United States in 1933 is $145 millions. Of this total, $76 millions is due as interest on long-term obligations, $33 millions on short-term credits. Another $36 millions is due on regular amortization of both groups of debts. Only about $25 millions come under the special exemptions in the new moratorium.

Germany's new move is a transfer moratorium, not a default. Though it was announced at a time when export trade was at low ebb and when it looked as though the trade balance would fall below the minimum necessary to meet transfers, it is recognized by many foreigners as a tactical move by Germans for a position of advantage at the London Conference.

Should the World Economic Conference succeed in lowering tariff barriers and reviving the flow of international trade, Germany may be requested—and agree—to resume interest payments on the foreign debt.

Creditors, meanwhile, are awaiting the announcement of details on the new transfer moratorium. They should come shortly after July 1. They might be much more mild than at first anticipated. They may cover the entire foreign debt.

Planet News

PINT-SIZE DICTATOR—Dr. Engelbert Dollfuss, diminutive dictator of Austria, is famous for his size, his clever handling of internal and international affairs. He left the Economic Conference, where he is pictured with the Austrian Minister, to fly to Vienna, where the Austrian Nazis were threatening his control. On arrival, he spoiled their little plans, threw their leaders into prison.

Business Abroad

Last gold currencies weaken under concerted attack of inflationists. Controlled production—à la Roosevelt—gains favor. More commodities plan organized restriction. Germany likely to make part payment on interest due abroad. Russia and Japan open negotiations.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Europe looks for the remaining gold currencies to abandon the gold standard soon. The Dutch guilder has already been under severe pressure. Last week's heavy gold exports continue. The Swiss franc is probably next in line. Gold has already been rushed to Paris to support the currency. When these 2 currencies slip, France and Belgium will hardly be able to withstand the strain.

Renewed pressure this week is attributed to 4 causes: (1) the general shift of political opinion to the American scheme for inflation (openly urged in Holland by the powerful Sir Henri Deterding, head of Royal Dutch); (2) inability of France and the gold bloc to win backing at London; (3) spreading belief that all around stabilization can come only after all currencies are revalued; (4) growing confidence in restriction as the means to raise prices.

Gold Currencies Slipping

Foreign trade will be in a chaotic state in the next few weeks due to the extreme fluctuations of various currencies. If the Dutch leave the gold standard, British and Japanese exporters will immediately lose many of their trade advantages in important markets, and the Dutch East Indies will once more be able to compete.

French fears are indicated in the renewed popular demand for "emergency powers" for the government, repeated rumors that the present government will be supplanted by a coalition. In Britain, where financial leaders have long insisted that the pound would restabilize possibly at $3.50 but certainly not above $4, there is common talk this week of a pound once more at $4.85. French demands for an immediate stabilization are doomed. All countries are likely to leave the gold standard before a general revaluation.

Europe is viewing with increasing respect the American plans for controlled production. The wheat conference is not so near a deadlock as early reports indicate. Some accord is expected. Dutch rubber producers are also likely to get together with British and French growers in a general restriction scheme. This accord may be reached before the present sugar conference is able to arrive at an agreement on restricted production. Other raw materials producers are getting together for preliminary discussions. Some of them are primarily interested in production curtailment; others are eager to meet the demands of the National Industrial Recovery Act on American imports.

The London Conference offered only gloomy news all week but that is obviously due to the undercurrents started by last week's discussions. Significant developments are getting under way as a result of side-conferences.

Partial Payment Suggested

Among the most important are the conferences between German representatives and German creditors. Definite results will be announced soon but it is understood Dr. Schacht has won "standstill" creditors with a plan to renounce the 5% payment due from Germany for transfer on principal during the balance of the standstill year ending Feb. 28, 1934. This will mean a saving to Germany of 75 to 80 million marks. Creditors are also understood to have agreed to a ½% reduction in interest rates.

Interest and sinking fund payments on the Dawes loan are likely to be exempted from the transfer moratorium; only the interest on the Young bonds will be paid abroad. Interest rates in neither case are likely to be reduced.

Despite brave talks favoring internationalism, it is obvious to everyone that all his neighbors are embarking on a program of economic nationalism. France provided the outstanding example this week with a government decree fixing the minimum price on wheat at something more than $1.50 a bushel. Imports have long been barred by tariffs and quotas. Germany is following a similar program towards self-sufficiency. Italy subsidizes wheat growers.

Hosiery Boycott

The boycott on German goods as a retaliation to unappreciated Hitler policies, particularly his discrimination against Jews, is more imagined than real. In the last 2 months, exports failed to decline. Only French importers of German silk hosiery have been successful, because of their close organization and united support, in boycotting German products on a large scale. When Latvian Jews succeeded in bringing about a general boycott on German imports, Germany retaliated with a ban on the importation of Latvian butter, one of the country's major exports. So serious was the loss of the German market, the boycott was terminated and reciprocal trade resumed.

The appeal of the United States at London for a united world program of public works aimed simultaneously to absorb the 34 million unemployed is not likely to get universal support, despite lip service in the meeting. Germany, Italy, and France are pledged to certain public works programs already but they are not of the stupendous inflation type advocated by Roosevelt. Britain has had such sad experiences with "make work" programs, and the public is so heavily taxed already that no gigantic program is likely.

Germany

All activities now subordinated to Hitler dictatorship. Long-term creditors may get part payment. Residential construction expanding.

BERLIN (*Cable*)—The Hitler dictatorship in Germany is more complete this week than it has ever been. With the resignation of Dr. Hugenberg, the last effective political opposition to the Nazis is removed from the Cabinet, as well as the last brake to the radical aims of the Nazi economic policy. All political parties are now subordinated to the Nazi-controlled state government. All labor and employer associations have been coerced into the Reich Corporation of Industry, which is copied wholly from the Mussolini model. Church and press are already under the thumb of "the leader." The most anti-capitalist features of the Hitler program, which have not been pushed so long as the capitalist-minded Dr. Hugenberg was in the Cabinet, are likely to be stressed now.

Currency Chaos

Only the significance of domestic developments leading to the absolute power of the Nazis has prevented all interest from centering in the fate of the remaining gold currencies in Europe this week. The pronounced run on the Dutch guilder revealed the weakness which only bankers and the well-informed realized till now. It is known that there have been large gold shipments through Paris, Basel, Brussels, and Amsterdam. Germans are convinced that only the intervention of London can save the remaining gold currencies. Should they go, Berlin sees no way of preventing currency chaos on the Continent.

Nothing definite has yet been announced in Berlin regarding the conferences in London between Dr. Schacht and Germany's creditors, but rumors persist that a new plan is evolv-

ing for the transfer of one-third of the amounts due in interest on the long-term debts during the second half of this year, the balance to be deposited in Germany until foreign exchange becomes available.

Activity on the Boerse has lagged this week. In industry, only iron and steel and textile production is improving, though employment is generally increasing. Domestic cement sales are up due to the revival of building, but a study of government data reveals that the activity is confined to residential building. A major public construction program is not yet under way.

France

Gold standard threat raises popular clamor for emergency dictatorship. Wheat farmers protected in new program of economic nationalism.

PARIS (Wireless)—For months there has been talk of the possible necessity of forming a Coalition government in France to cope with an economic situation increasingly complex. This week, following futile efforts in London to win either British or American agreement to make currency stabilization the first problem before the World Economic Conference, and following the attack on the Dutch guilder—the most important of the remaining gold standard currencies except the franc—Parliament became outspoken in its demands that the government be invested with "plein pouvoir," which is equivalent to an emergency dictatorship. Should the Dutch guilder and the Swiss franc—last currencies to cling to their pre-war exchange rate—abandon gold, there would immediately be tremendous pressure on the franc. An "emergency" situation would no doubt develop.

France Is Worried

France has a bad case of the jitters. The budget is not balanced and the deficit is likely to increase. The trade balance is seriously adverse. It is almost impossible to acquire new internal credits. Large as the gold supply is, France could not long stand the drain of the entire financial world.

The most important development internally is the new wheat bill which has been passed and which becomes effective July 15. It is designed to protect the French farmer, make France self-sufficient in the production of this important commodity. Minimum price of wheat after the middle of next month is set at 115 francs (about $1.50) a bushel. It has also been suggested that the government provide the required subsidy for the immediate export of 18 million bushels of carryover from last year's heavy crop.

Great Britain

Weakness of Dutch guilder causes flurry in financial London. New and higher parity for pound in stabilization discussions.

LONDON (*Cable*)—Britain had its own views on the World Economic Conference this week, and they were pretty pessimistic. Gloom, which was systematically created during the first week of the conference, has been augmented in the last few days by the probability that Holland will be forced off the gold standard. Almost inevitably Belgium and Switzerland would be forced to follow, and then France would no longer be able to stand alone. This situation, in the midst of a conference called to stabilize all currencies, is regarded as the crowning irony of a situation which most Britishers think is already futile.

London Is Gloomy

For a time last week there were hopes that Professor Moley, when he arrived in London, would break the impasse. Now this hope has been abandoned. It looks to the average Londoner as though the conference will produce nothing but a few minor agreements, and that the main currency question will remain untouched. Britain is increasingly likely, in this event, to form a pact with France to restore the pound sterling to the gold standard at somewhere near the present franc parity, and arrange to use anti-dumping duties against the depreciated dollar.

The bear attack on the Dutch guilder early in the week created nervousness all over Europe. It was not altogether unexpected. Holland and France are the biggest strongholds of the gold standard, but Holland has been under considerable pressure from the colonies in the East to devaluate. As producers of important raw materials, they have run into increasing competition in world markets with the products from the British Empire which sell in depreciated sterling. Then, Japan has invaded the Dutch East Indian markets with vast quantities of manufactured goods. When the rumor was spread that Holland would abandon gold, there were plenty of people ready to believe it. Speculation continues, though the worst pressure on the guilder has ended. Supposedly, central banks in Europe have come to the aid of the Bank of the Netherlands in supporting the gold standard.

£ Back to $4.86

There has been another significant change of heart in London this week in regard to a matter of vast importance to the financial world. During the first week of the World Conference, London's other "little" conferences attracted great interest among those aware of their importance (*BW—Jun17'33*). The committee of banking and treasury experts made slow progress towards a restabilization agreement. No one is sure just all that was accomplished in the closed meetings, but there is common talk in the City since the meeting that the probable parity for the pound sterling lies somewhere between $4.50 and $4.84 (almost the old parity). This is in striking contrast to the figure long argued but always between $3.50 and $4.

Three German default committees are now at work in London. One represents British creditors under the old "standstill" agreement; one the interests of British holders of Dawes and Young bonds; and the third represents the issuing houses responsible for various German state and municipal loans floated in Britain. All are busy discussing readjustment of the German debts (page 21), but no definite results have been announced. British and American investors have made stiff protests to Berlin regarding the transfer moratorium. There is some talk now of a "part payment in transferable cash." Some announcement is likely soon after July 1.

Business in Britain is generally steady. Prices are firm on the stock exchange, though volume has been smaller this week. The commodity rise—especially for rubber, tin, copper, and wheat—has had its effect on the market. Unemployment is declining, particularly in the industrial Lancashire and Sheffield regions. There is a steady flow of investment money into industrial shares, and new issues for sound enterprises are readily subscribed.

Far East

Japan, Russia, Manchukuo start conference in Tokyo on Chinese Eastern Railway sale. Cost to Russia: $215 millions; likely sale price, $15-$25 millions.

THE little conference which opened in Tokyo this week is more important to Far Eastern business and politics than any thing that has happened all spring in the Orient. The Soviets, the Manchukuans, and the Japanese are represented. The problem is the disposal of the Sino-Soviet owned Chinese Eastern Railway which crosses Manchuria from east to west. The result will affect the future of the North Pacific for a generation.

Czarist Russia collaborated with China in the building of the Chinese Eastern more than 30 years ago. More than $215 millions of Russian funds were poured into the project. By cutting across northern Manchuria, the Russians reduced by nearly 400 miles

the long route from Moscow to Vladivostok, only Russian port of any significance on the Pacific. Also, it tapped a vast agricultural and grazing region belonging to China.

When Japan started its conquest of Manchuria nearly 2 years ago, there was daily danger of a break with Russia following an "incident." Greatest danger point was the Soviet-controlled railroad. Chinese interest was eliminated as far as Japan was concerned when the independent state of Manchukuo was established. When the Japanese rushed to completion a line parallel to the Chinese Eastern but connecting with a (Japanese-controlled) Korean port, the value of the Chinese Eastern was decimated. Manchukuo, prompted by Tokyo, offered to open negotiations to buy the railroad. Moscow has accepted. Despite the cost, Manchukuo is likely to offer an absolute maximum of $25 millions for the line. Possibly bargaining will stop at a figure nearer $15 millions. Japan has already designated the line as the North Manchuria in preliminary talks, indicated the intention of incorporating it in its great and profitable South Manchuria line which connects with the old Chinese Eastern but uses Dairen as its major port.

Negotiations may be protracted but it is obvious from the first that Japan is dominating the conference.

In China, the threat of a vast flood in both the Yangtze and Yellow river valleys is likely to upset business unless the waters begin to subside soon. Shanghai is threatened by the Yangtze; the Yellow river is on a rampage in one of the most populous areas in China.

Latin America

Salvador first Latin American country to resume service on foreign debt. British firm gets large Brazilian order.

THERE are no major business developments in Latin America this week, but several items of interest.

Salvador, smallest of the Central American countries and the only one not now recognized by the United States, announced that it would resume interest payments in cash on certain outstanding foreign indebtedness. On the 7% dollar bonds, 50% of the interest will be paid in cash and the balance in interest bearing scrip. On the 6% sterling bonds, interest payments will be resumed wholly in cash. This is the first of the Latin American countries to resume service on defaulted foreign debts.

Colombia also made provision to handle indebtedness. On 2 of the external sinking fund loans and the bonds for the Agricultural Mortgage Bank one-third of the interest due will be paid in cash, the balance in 4-year non-interest-bearing scrip, one-fourth of which will mature each October until 1937. Similar provisions are being made with British and French creditors.

The Argentine, during the week, announced that Buenos Aires and Madrid had signed an agreement to lift simultaneously all foreign exchange restrictions on trade transactions between the 2 countries.

Metropolitan-Vickers, British engineering firm, announced during the week that it had secured a contract from Brazil for $12\frac{1}{2}$ millions of railroad electrification on the Rio de Janeiro-São Paulo line.

Several countries, but especially Cuba, are interested in world sugar negotiations which got under way this week. In Washington, discussions involved an increase in the import quota to be allowed to Cuban sugar under a preferential duty, while in London world producers will attempt once more to curtail production even in the small producing countries.

Batá Expands

Czech headquarters produce more shoes for Far Eastern markets.

LARGEST producer of shoes and one of the biggest industries in Europe is Batá, the internationally-known Czechoslovakian shoe company.

Production at the home plant at Zlin last year averaged more than 140,000 pairs of shoes a day. It now exceeds 160,000 pairs, and officials report that it is to be stepped up steadily to 300,000 pairs to meet growing demand. More than 18,000 workers are employed in the home factory.

Batá is profiting from expanded distribution in the Far East. To a chain of 200 retail outlets in India, the company is now adding retail stores in China's major port cities. Shanghai has the first retail units (*BW—Apr26'33*). Two will open soon at Nanking, populous southern capital which prides itself on its modern developments.

Batá counts heavily on these 2 great Oriental markets but is also firmly established in the East Indies. There are 50 retail outlets in Java, which has a population one-third as large as the United States. All of the stores in the Orient are supplied from the home factory, but a plant being built in India will soon be equipped to supply that market.

Batá is not neglecting markets closer home. A new shoe factory is being erected near London to supply the British market and to meet special Empire demands from within the tariff wall.

The Figures of the Week

June construction activity gaining momentum rapidly, with May already exceeded. Non-residential building particularly strong. Steel passing 50% of capacity. Coal, electric power, carloadings, check payments still pointing upward. Wheat scores unusual advances.

DISTRACTED by the new rules of the industrial game being formulated at Washington, by the pressure of consumers for immediate delivery of current needs, by clamor for protective contracts for future requirements, by inability to forecast what production costs are likely to be even 3 months hence—thus bedeviled, business men may be pardoned if they do not pay much attention just now to the status of trade outside their own field. But they should be interested. The improvement is broad—and the broader it is, the firmer the foundation for recovery. The momentum generated in the leading basic industries and transferred into other trade channels has lifted the *Business Week* general index of business activity to levels not known since the end of 1931. To be sure, this is no goal, for 66% of normal business volume still leaves too many millions without the means of taking even current output off the market. But it is a movement in the right direction.

Outstanding among startling reversals from the depths reached in the first quarter of 1933 is the pickup in the construction industry. In the first 19 business days of June, contracts awarded in the 37 states east of the Rocky Mountains exceeded awards for every month since November, 1932, with the exception of January. When the month closes, even January will be left behind. This was achieved largely through non-residential building, which already is ahead of every month since August, 1932.

The first half of June set an extraordinary pace in all major lines of construction, lifting the daily rate sharply above both May and June, 1932 levels, with one exception—public works, which still lag 50% behind last year. The third week could hardly be expected to maintain the same high rate, though the pace was only slightly reduced. From June 1 through June 22, total contracts awarded amounted to $81.7 millions compared with $77.2 millions during the whole of May. On a daily basis, this is a 44.8% gain over May, and only a trifle more than 1% under a year ago.

More than half of the total volume of awards comprises buildings of a non-residential character. Over $42.7 millions fell in this class, an 84.7% gain over the May rate, and 46.8% higher than the June, 1932, daily rate. The Texas region contributed nearly half of the non-residential contracts.

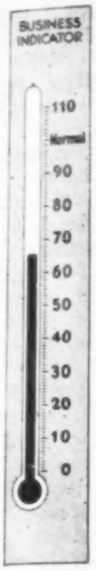
Home Building Still Rising

Residential building ranks next in point of volume, continuing the favorable upward swing begun last March. Awards valued at $20.7 millions provided a daily average 6.7% higher than the preceding month, and more than 22% above a year ago.

While public works volume has not succeeded in topping 1932, a brave start has been made to exceed May, which in turn outdistanced April by 40%. June rolled up a score of $18.3 millions in this class, and another 7 days should bring the final reading well above the $19 millions of May. The daily rate is nearly 32% ahead of May

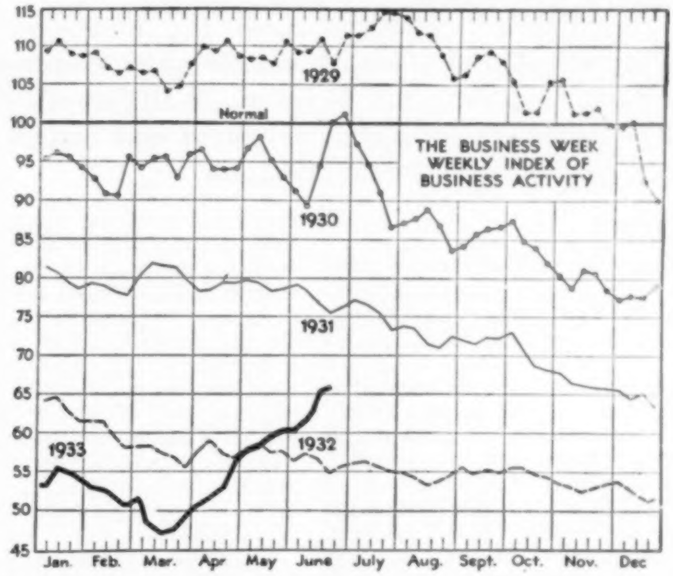
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1928-1932)
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*66.1	†65.4	54.8	
PRODUCTION				
Steel Ingot Operation (% of capacity)	50	48	15	56
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,414	$3,056	$5,584	$16,989
Bituminous Coal (daily average, 1,000 tons)	*943	906	675	1,224
Electric Power (millions K. W. H.)	1,598	1,578	1,441	1,591
TRADE				
Total Carloadings (daily average, 1,000 cars)	98	94	86	142
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	66	64	64	95
Check Payments (outside N. Y. City, millions)	$3,147	$2,711	$3,009	$5,198
Money in Circulation (daily average, millions)	$5,711	$5,742	$5,556	$4,840
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.75	$.72	$.43	$.89
Cotton (middling, New York, lb.)	$.099	$.092	$.054	$.140
Iron and Steel (STEEL, composite, ton)	$28.83	$28.75	$29.52	$33.17
Copper (electrolytic, f.o.b. refinery, lb.)	$.078	$.078	$.052	$.116
All Commodities (Fisher's Index, 1926 = 100)	64.0	63.5	59.5	82.3
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,198	$2,207	$2,313	$1,415
Total Loans and investments, Federal Reserve reporting member banks (millions)	$16,805	$16,521	$16,694	.....
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,731	$4,761	$5.563	.....
Security Loans, Federal Reserve reporting member banks (millions)	$3,769	$3,798	$4,212	.....
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$775	$782	$359	$3,048
Stock Prices (average 100 stocks, Herald Tribune)	$100.69	$99.05	$75.14	$138.68
Bond Prices (Dow, Jones, average 40 bonds)	$85.42	$84.45	$70.08	$90.23
Interest Rates—Call Loans (daily average, renewal)	1%	1%	2.5%	3.9%
Interest Rates—Prime Commercial Paper (4-6 months)	1½-1¾%	1¾-2%	2½-2¾%	3.8%
Business Failures (Dun and Bradstreet, number)	373	396	617	480

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



This remarkable achievement in the construction industry is reflected in lumber orders and cement shipments. During the June 17 week, lumber production was 47% greater than a year ago; shipments 44% higher and orders 94% larger. May shipments of portland cement increased 36% over April.

Nor is steel taking a breathing spell. It is being pushed hard as the second quarter draws to a close. Operations during the week ending June 26 are estimated at 50% of capacity, according to Dow, Jones, and the current week is undoubtedly a few points higher. Whether a critical period with a slower pace will set in after July may hinge upon the attitude buyers assume toward contract arrangements. Prevailing opinion is that protection for steel mills will be sought by making month-to-month contracts in order that costs imposed by wage or hour decisions under the Recovery Act may be more carefully estimated.

Car Sales Hold Up

The motor industry looks forward to an unusually good volume of output in July. June sales by leading makers have shown no indication of relaxing. Some 33 out of 38 states reporting new car registrations during May showed increased sales over 1932, reflecting the widespread geographical improvement in motor demand. Ford losses in 1932, recently published in Massachusetts, increased to $74.9 millions from $53.6 millions in 1931, thus imposing a heavy loss on each car produced.

The motor industry has been somewhat cautious in formulating its code of competition as required under the new federal legislation, preferring to observe the luck which other industries have in drawing up regulations. Moreover, the industry prides itself on being one of the better paying manufacturing divisions. Weekly earnings of men during May in those motor concerns reporting to the National Industrial Conference Board averaged $20.78. In April, the average weekly wage was but $18.79. The rise reflects both longer employment and some rate increases.

Anthracite Rises

Anthracite coal will win another reduction in freight rates to its Eastern territory, if approval of the I.C.C. can be secured to the decision of the leading Eastern railway heads. Production has been stimulated in the early June weeks by the price increase due July 1. Anthracite operators hope that the Recovery Act may lift costs of competing fuels such as soft coal and oil, thus improving the position of hard coal.

Power production is now almost on a par with its 1931 level of the summer months, having expanded output 8% since the March low. The gain is especially significant since it occurred during the spring months when decreasing utilization of power is the rule. So rapidly has the revival of industrial activity occurred that the New England states during the week ended June 24 consumed 19.2% more power than a year ago; the Middle Atlantic states, 8.9%; the Central industrial states, 13.9%; and the Southern states, 13.8%. The country as a whole has pulled up from a minus position during the first 4 months to a point 10.9% ahead of 1932.

The increased flow of goods has again lifted freight traffic above its 1932 level, this time (week ending June 17) to 13.4% above a year ago. Nor is there any indication that the broad improvement has met a snag. Every class but less than carlot freight exceeds last year's volume. Motor facilities have probably made sharp inroads into l.c.l. freight under the insistence of consumers for prompt delivery. But in spite of the lag in this most lucrative class of traffic, gross revenues of the first 52 roads to report May earnings were higher than a year ago, and 39 showed improved net income.

A beginning has been made in parcelling the railroads into 3 regional divisions—Eastern, Southern, and Western—for the purpose of setting up regional coordinating committees of railroad executives to work out economies of operation.

Check Payments Up

Check payments, covering the mid-month settlement day, increased 16% in the 140 cities outside of New York, and for the first time succeeded in breaking through the 1932 line. Check transactions in New York City have been greater than 1932 for many weeks, in the week of June 21 racing nearly 39% ahead. The gain over the June 14 week was 27%.

Commodity prices are resuming their upward swing as the government evolves its plans controlling the production of wheat, cotton, and other leading agricultural products. Wheat soared above $1 a bushel in both the December and May deliveries at Chicago. In 10 days to June 27, December wheat gained 22½¢ a bushel; December corn 14½¢ in 11 days. In spite of this rapid increase in wheat prices, the government has announced a 30¢ a bushel process tax on wheat milling.

The Financial Markets

Dollar wheat and 10-cent cotton spur commodities, stocks, and bonds to new heights. Wall Street's dreams ignore sobering facts such as wheat and cotton carryovers, absence of any real inflation.

Money

ADD to the epic of financial and industrial recovery in the last 90 days, the spiral ascent of wheat prices to well over $1.00 a bushel, of cotton to above 10¢ a pound. These spectacular achievements tend for the moment to overshadow the gains in other lines.

The stock market, the bond market, the money market, and other commodities have become mere satellites in the wake of the upward rush of these two agricultural leaders. It is futile to go into the reasons for the advances. There are misgivings about them in many quarters. In the midst of one of the wildest days on the Board of Trade, Secretary of Agriculture Wallace projected the thought that there was no chance of a wheat famine and that the carryover on hand was 350 million bushels. The carryover of cotton is almost 13 million bales. But traders, speculators, buyers, exporters, paid scant attention to figures and wholly ignored admonitions to prudence.

Of course, something can be said to support the advance from the unreasonably low figures of the pre-bank holiday era. The official report to be made a few weeks hence is certain to disclose a change in wheat carryover. In the middle of 1932, the department estimated the carryover as more than half of the crop produced in that year, whereas in the 10 years prior to 1929, it averaged approximately 15%. But the winter-sown American crop of 1933 is estimated at 26% less than last year, 56% less than in 1931, and the smallest since 1904. The spring wheat crop has had a bad start. The total harvest may fall somewhat short of meeting domestic requirements. From these facts it is anybody's guess what wheat prices should be.

The cotton carryover was 4.4 million bales in the middle of 1929, and 12.9 million bales last May. No official data are available to show the condition of the 1933 crop.

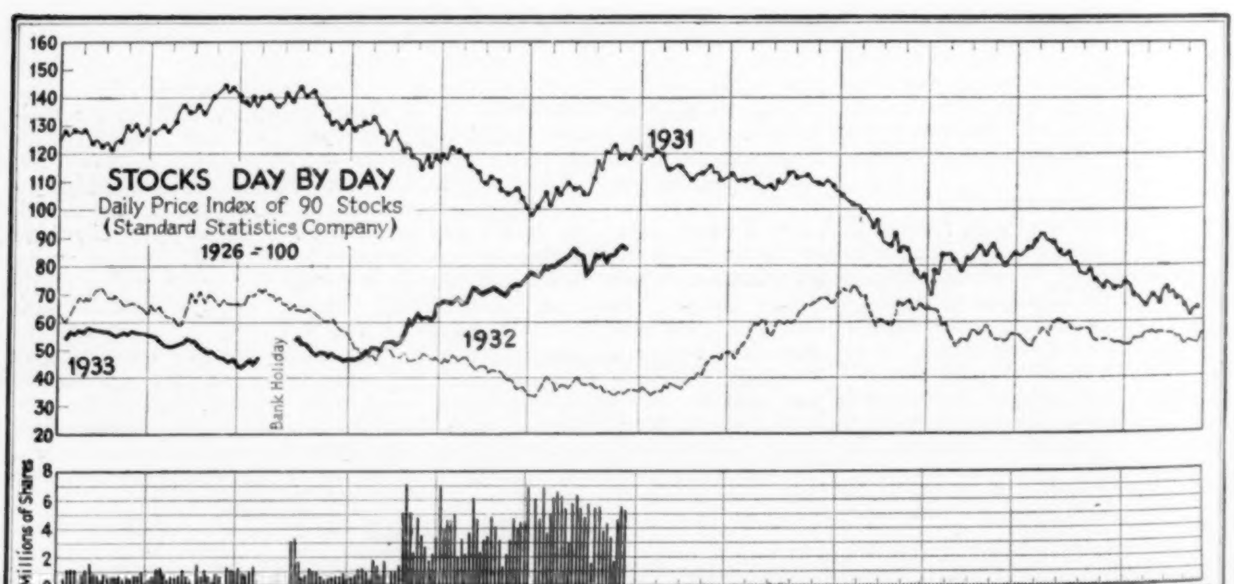
While these prices are now rapidly advancing, Secretary Wallace is touring the grain belt urging the farmers to cut down wheat acreage. Cotton land leasing and use of the option plan to reduce the crop 30% has started in the South. Assistant Secretary Tugwell has announced a 30¢ wheat tax to start on July 9.

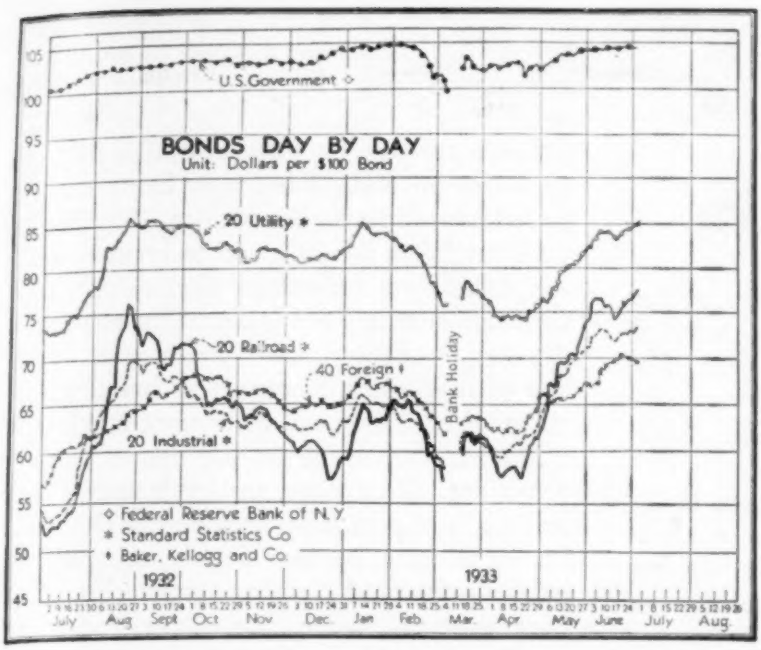
But here is where the administrators of the farm adjustment pln are plainly in trouble. Why should cotton farmers reduce their acreage or destroy crops on which they will receive a bonus of about 7¢ a pound, if cotton is now over 10¢? Then again, the Department of Agriculture is supposed to collect the difference between farm market prices and the parity price, 1909 to 1914. That parity price is about 88¢ for wheat. With dollar wheat there is no legal sanction for exacting a tax from millers. Tugwell's announcement of a 30¢ tax is based upon the price of wheat on June 15. But that is ancient history now. If the department proceeds to write contracts for wheat reduction and then cannot collect the money from the processors, the whole self-financing program of the Farm Adjustment Act crumbles.

But the most serious aspect is that the teeth have been taken out of any production control, that farmers may be deluded into believing that recent price increases have come to stay, and will refuse to cooperate in reducing output.

Second only in importance to the spectacular performance of the agricultural commodities was the further decline of the dollar on all foreign exchanges. Sterling went up to $4.43 by mid-week and francs stood at 4.97¢ against a par of 3.9¢. The dollar now stands at the greatest discount since the banking holiday. The stock market talks of further desertions from the small island of gold, to which only France, Belgium, Holland and Switzerland have been clinging.

The fact that no important steps have as yet been taken to bring about inflation gives the whole spectacular advance in prices and decline in the dollar an air of unreality. The government's arsenal of vast powers has only been shown to the public, without the





slightest demonstration of its effectiveness. The statements of the Federal Reserve banks continue colorless. Purchases of government bonds, totalling $23 millions, are offset by a decline of $32 millions in loans to member banks. Money in circulation also continues to decline. The total Federal Reserve bank credit now stands at $2.2 billions as against $3 billions the week of March 4.

Nor are there important signs that the member banks are expanding credit. Investments for the week show the startling advance of $343 millions in 90 leading banks reporting to the Federal Reserve system. But that followed the Treasury's quarterly financial operations. The banks find it profitable to buy United States government bonds when the Treasury is refinancing or undertaking new financing because only a small portion of the price paid for them goes out of the banks, the rest remaining on hand as government deposits. Witness the fact that during the week government deposits increased by $475 millions whereas net demand deposits decreased $384 millions.

Bonds

THE bond market repeats the story of recent weeks. United States government bonds remain strong, secondary bonds are surging up, foreign bonds are declining. The imminence of government purchases of bonds hangs over the market. Net earnings of railways for 18 companies, which have reported for May, show a $93 millions gross, against $83 millions in April. Eleven companies in this group increased their gross and all but one, the Lehigh Valley, bettered their net. Hence, railroad bonds have been unusually strong. In fact, since the low point of early April, 20 leading rail bonds have appreciated 35.6%, while 20 industrials have gained slightly more than 23%; 20 utilities, 15.3%; 40 foreign issues, 12.3%. Governments have risen 4.4% from the Mar. 3 bottom.

Stocks

STOCKS now have reached the highest plateau of the year in buying waves coming from all over the land, from all classes of people, and affecting indiscriminately almost all securities. The advance is neither orderly nor logical. It is a pell-mell rush into securities, a panicky flight from the dollar.

A close study of the stock tables shows the most anomalous and amazing situations, situations that no statistician or logician can explain on any grounds other than magic. Common stocks that have never paid dividends are now selling at prices frequently twice as high as the preferred stock, on which cumulative dividends have not been paid for some time. For example, American Foreign Power's common is selling for $18; its second preferred stock on which cumulative dividends of $16 are due, is selling for $21. Deere common is selling for $32; the preferred, par 100, is selling for $16.

The entire stock market continues to be highly sensitive to foreign exchange, but also receives stimuli from the grain and cotton exchanges.

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Bank Leadership

THE situation created by the passage of the Glass-Steagall Banking Act presents a challenge and an opportunity to our larger banks. Just now, some are sullen and obstructive because the deposit insurance makes the strong banks liable for the safety of deposits in weak banks.

A banker presiding over a solvent and liquid institution who is forced to use part of his assets to protect deposits in a distant institution less honestly and ably managed has a real enough grievance. But bankers today are confronted with a condition, not a theory. Deposit insurance is here. It was forced through Congress by widespread public demand—not by a small group of lawmakers.

The public's reasoning was simple enough. The average depositor has no way of knowing whether a bank is sound or unsound. Thousands of depositors in the large cities kept their money, while thousands in smaller towns lost theirs, not because one group was more intelligent than the other, but merely through the accident of location. The public could see no justice in that. It insisted that deposits everywhere should be on the same footing. This is not quite so unjust as it looks on its face, for part of the strength of the great banks also is due to the advantage of location.

In any event, with the public in that mood, the alternatives were deposit insurance, or continued distrust of banks which would make banking impossible at all. That is why those bankers who are talking fight are doing themselves a disservice. If they do manage to contrive some means of making the Act ineffective, or if the Supreme Court kills it, they ought to foresee that Congress will pass new legislation, likely to be even less palatable—and that meantime public reaction will be highly destructive.

Conservative and socially-minded bankers cannot afford at this time to be obstructionists, nor can they afford to sit passively and let events take their course. Enlightened self-interest demands that they protect their own resources by cooperating to make the assets of all banks safe, to minimize losses for the insurance fund to repay.

There are various ways in which they can work toward this. The larger banks exercise great leadership over the smaller. They should use every bit of this influence to improve banking practices and help make effective the wholesome safe guarding provisions of the new law—elimination of competitive interest rates, limitation of investment of capital in buildings, increase of capitalization, investment restrictions.

Even more helpful are the branch banking provisions. True, they are inadequate. They reach only the 12 states that permit state-wide branch banking. But here is a beginning and we believe a clear and vigorous presentation of this issue before the next session of Congress would stand a good chance of getting branch banking provisions broadened, as they ought to be.

The public thinks only of safety of deposits. The banker who guides a large institution has the broader view; he is thinking of the bank's function as the source of credit. He knows that the banker today stands helpless in attempting to regulate credit in accordance with the needs of business. He knows that many of our economic troubles, especially those that bring about periodic booms and depressions, are the consequence of uncontrolled restriction or emission of credit.

But as things are now, no banker really controls his own bank. No one institution can stand out against the tide.

The remedy is unification, and the nearer we work toward unification, the better. So not alone the safety of depositors, nor the protection of the assets of the larger banks, but also the broad, fundamental purpose of better controlling the business cycle suggest that bankers should take full advantage of branch banking privileges offered, and work for their extension.

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